CHAPTER 1

# Critical Insights on Disruption in Marketing Strategies: Some Perspectives in Latin American Countries

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## Understanding Disruption

Disruption in marketing is not a new phenomenon. Both planned and radical innovations have disrupted the growth of products and services over time in the consumer and industrial markets. The growth of technology has affected both high-end and low-end markets, which has disrupted the market economy, operations, and performance significantly since the mid-twentieth century. The disruptive products emerged with low-cost innovations, economies of scale, high perceived use value, and low operations costs, which have transformed consumer preferences, product demand, and market performance. The disruption in markets

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has both positive (high use value, low price, ease of use, and enhanced features of products) and negative (overriding the existing businesses, polarization in market competition, and trigger imbalance in industry performance). Most disruptive products enter market as a cheap substitute (frugal innovation) to a high-end product, which tend to establish in the market by increasing in quality and inculcating the customer value over time. Frugal innovations from local and international destinations penetrate low-end consumer markets by attacking on both price and quality and rapidly grow by altering the consumer preferences in mass customer segment. Such *big bang (BB)* disruption has infiltrated the consumer electronics, fashion accessories, shoes, and consumer packaged goods, and destroyed progressing product lines through e-commerce. The market for disruptive products has grown manifold today with the support of information technology, which has stimulated customers to use free navigation applications on mobile devices preloaded on smartphones. Such applications had entered the market with the devices made by TomTom, Garmin, and Magellan. Similar applications, which provide ease of use, value to customers, and assist in quick decision-making, are in competition today and are frequently developed as low-cost experiments with existing technologies to crash launch new products in the market. However, such innovation goes out of bounds of conventional marketing practices and drives consumers to adapt to the new market ecosystem with disruptive products. However, it is debatable whether to slow the disruptive innovation down at the cost of customers and to leverage high-end products competition in the marketing. Consequently, most customer-centric and technology companies are leaving low-end markets and diversifying into the product portfolios for premier customer segments. Such business drift has caused the congestion of low-cost technology-led products in the mass market and bottom-of-the-pyramid segment, which appears to be an unhealthy business practice (Downes & Nunes, 2013).

Marketing planning and business development of consumer products in association with consumers have been the contemporary trend in the consumer products companies. The design process of consumer-centric business models integrates customers, stakeholders, and entrepreneurs in delivering values. The need for innovation is instituted in the linear path of understanding the customer by identifying the problem, need, and solutions. Marketing of customer-centric products is aimed at nurturing customer emotions and developing positive perceptions toward the products and services (Beckman & Barry, 2007). The multidimensional growth of marketing organization is best understood as the next step in the evolution from a resource-centric business model to a customer-centric, knowledge-sharing model. It is a way of managing competitive markets that are particularly well adapted to stimulating the market leadership necessary to create economic value in the complex markets (Strikwerda & Stoelhorst, 2009). Business transformation in consumer-centric companies evolves over the years in reference to values-based governance. Market segments of consumer products deliver convenience to consumers and build on price-value convergence business model. Companies tend to target consumer-centric brands to the most effective target segment, which has the push- and pull-potential to attract new customers. The process of targeting the consumers includes need-based, anthropometric measures; and community oriented and public policy centered approaches.

Disruption in market and customer desires are often synchronized. The desire to have a quality product gradually turns into a need, which paves path for the disruptive products to enter the marketplace. Therefore, the market structure often takes shape from customers' point of view, which is exploited by the low-cost technology disrupters. The disrupters tend to understand customers' needs and launching the congruent products to stimulate the need. Most of the consumer brands such as Starbucks, Amazon, and Spirit Airlines Inc (Ultra low-cost airline of the USA) to name a few have emerged to grow as disruptive brands. However, over time, the power of a disruptive brand tends to grow unless the company creates a new competitive brand of a higher quality (Christensen et al., 2005). Confrontations between disruptive innovators and strong firms in the market explore the possibilities to adapt to the radical engagements in doing business. However, most companies feel that in view of the increasing market size of the disruptive products, making small or incremental changes may not be enough to override the effects of disruptions. They need to change their operating models and business systems from manufacturing to marketing, including the customer relations management perspectives (Iansiti, 2020).

Most consumer-focused companies highlight the distinction of attributes regarding innovativeness, technology applications, use value, and current trends of the product, driving the vogue-psychodynamics in positioning the brands. As consumers are sensitive to price and promotion offers, brands positioned on these indicators generate wider psychodynamics and purchase intentions among consumers. The brand advertisements are built around user-generated contents, and celebrity and professional endorsements. Pricing is one of the critical elements in segmenting the markets for the consumer products. Customer-centric segments can be identified by analyzing price sensitivity, product attributes, customer perceptions, and tradeoffs of competitors with customers. Building right market segments assures creating the right customer value in the marketplace. Effective business models can be developed by mapping the market evolution, causes and effects of changes, and technological development of products. These factors need to be integrated and critically examined in the process of determining the product lifecycle (Baker et al., 2010). Corporate success depends on building business strategies following relevant marketing research through the existing market chaos in the existing products and consumers in the marketplace. Since adapting to an innovative idea, whether it is a new product, package, price, or promotion, poses great risk for companies. An appropriate market analytics can help companies in developing effective business plans.

Many consumer companies use traditional forecasting models to measure competitive performance and predict the market shares of new products, or the effects of marketing strategies. Interaction among consumers, comprising normative influences and word-of-mouth, is one of the key processes behind this complex market behavior (Gilbert, 2007). Product design and research and development is a cycle of continuous improvement over time, that moves through the product idea generation, product selection, product development, and launch stages involving the research process continuously. Marketing communication has four elements including credibility, understanding of an audience, a solid argument, and effective communication. Consumer socialization through peer communication in social media has become an important marketing issue through the development and increasing popularity of social media.

## Disruptive Business Practices in Latin America

Industrial firms (within paper, oil, and textile industries) in Colombia and Peru began sustainability-led manufacturing and marketing operations as disruptive measures to stay ahead in competition. The sustainability-driven business practices have eventually led to spin the commercialization, and mergers and acquisition processes in the region. In the above stated industries, the disruption in energy and emissions, and Green Extraction Technology (GET) process have emerged as a strong market differentiator against the conventional businesses (Radnejad & Vredenburg, 2019). Consequently, most industrial firms have changed their conventional business model to a new strategy of growing internationally with disruptive technology, which leads the firms to move from *problem child* to *cash cow* quadrant within the *product portfolio matrix*. In the paper industry, farm-based solutions like manufacturing paper with farm-waste (maize straw, sugarcane straw, husk, and wild cactus) have emerged as disruptive innovations and market competitive solutions in terms of pricing and quality. In addition, digital solutions are transforming the forest-based bio economy (Fracaro et al., 2012). Digitalization has enabled real-time, end-to-end supply chain visibility, improved delivery accuracy as well as stock level optimization and alignment with demand planning. Consequently, the deployment of technology to protect forest resources has opened up new avenues for disruptive innovations in the paper industry (Watanabe et al., 2018).

Digitalization in businesses in Latin American countries has emerged in the past two decades of the twenty-first century as a major disruptor among the conventional business operations. Latin American and Caribbean region has seen significant growth in the digitalization metrics, such as developing broadband infrastructure for enhancing the use of artificial intelligence, remote operations, and the adoption of the Internet and social media (Katz & Callorda, 2018). Technological innovation and digitalization of business operations have proved to be major disruptors in national business settings. Such disruption has led to significant transformations in business models, incremental and frugal innovations, and customer-centric strategy in Latin America. The scale and scope of these changes have significantly altered the market competition within the region (Bianchi et al., 2019). Countries such as Argentina, Venezuela, Ecuador, Peru, and Bolivia have even lowered the economic liberalization processes to encourage local innovations as a disruptive drive to compete with the business operations of multinational companies in these countries. However, conventional businesses in the countries of Latin America are confined to niche and face the challenge of responding to increasing levels of technology and automation, which still remains a potential threat to domestic market competition (Vendrell-Herrero et al., 2017).

The previous industrial revolutions have motivated Latin American firms to engage in developing customer-centric business and following systems approach to standardize the manufacturing and supply chain process. The *Industry 4.0* revolution has driven these companies to drive their business through digitalization process, which has emerged as a principal disruptive tool in the conventional business ecosystem. The digitalization process has developed firms that are able to innovate and adapt to the new scenario with the existing tools to differentiated themselves from the rest of the market over time. The digital transformation has not only helped firms in decision-making, but also enhanced their abilities to adjust to new market realities. Among many, a major effect of digitalization process includes working through technological platforms that seek to integrate into a single portal or access point all procedures pertaining to goods import, export, and transit operations. This process has accelerated the supply chain process and given competitive lead to the firms in the marketplace toward delivering products to the end-users (ECLAC, 2020).

Gradual disruption has taken place in the services segment besides manufacturing and marketing segments. Among many services operations, financial institutions are also using disruptive technologies to grow in the competition. Microfinance institutions in Mexico have been considered as disruptive to the banking system because they can cannibalize the market share of established financial institutions (banks). Compartamos Banco,[1] a microfinance company under the parent organization Gentrea in Mexico, is a successful disruption at large scale in the banking and finance industry. Compartamos has gone for initial public offer (IPO) in April 2007, and it was valued at $1.5 billion at the then current prices. This microfinance company has become the first bank wholly dedicated to microfinance to be quoted in a major stock exchange in the country. Since then, the financial market has become intensely competitive as both large established institutions and new entrants have entered the market to cater to the same customers (Chu & Larangeira, 2019).

[1] For details on institutional profile see https://www.compartamos.com.mx/compartamos.

## Marketing Matrix

External Factor Evaluation (EFE) Matrix is a combination of several macro factors within the business and economic ecosystem. It is a strategic analysis tool used to evaluate the external environment affecting the marketing strategies of the firm. The EFE analytics reveal strengths and weaknesses of marketing strategies of a firm. The EFE matrix help firms identify the key external opportunities and threats that are affecting or might affect a company by analyzing categorically the political, economic, social, technological, environmental, and legal (PESTEL) factors. In addition, the industry attractiveness and market competition matrix discussed by Michael E. Porter emphasizes the impact of effects of new entrants, substitutes, and bargaining power of customers and suppliers also affect the market performance of the firm. However, the general rule is to identify as many key external and internal factors as possible. The EFE Matrix analysis extends the strategy focus of marketing capability of firms ambidextrously toward inside-out and outside-in perspectives. Such analysis helps in developing upstream buyer–supplier relationship and building downstream buyers' marketing capabilities (Yang et al., 2019).

Internal Factor Evaluation (IFE) Matrix is built around the analysis of strengths and weaknesses. This is a strategy tool used to evaluate firm's internal environment and to reveal its strengths and weaknesses. Strengths and weaknesses are used as the key internal factors in the evaluation. This matrix is a strategic management tool for auditing or evaluating major strengths and weaknesses in functional areas of a business. The analysis of matrix elements provides a basis for identifying and evaluating relationships among those areas. The IFE matrix is used in strategy formulation (Kaplan & Norton, 1992). The IFE matrix method conceptually relates to the Balanced Scorecard method, which involves following activities:

- Assessment
- Strategy
- Objectives
- Strategy map
- Measures and target
- Strategic initiatives
- Performance analysis (weights, ranking, cumulative effect)
- Alignment
- Evaluation.

The strategic position and stock evaluation matrix has four quadrants that place a strategy as aggressive, conservative, defensive, or competitive; and this gives us information on whether a certain strategy is suitable for our organization or not. It is visually represented by two axes that create four quadrants of which, two correspond to: Internal environment: financial strength and competitive advantage, and external environment organizational stability and industry strength. The broad elements in the matrix are exhibited in Fig. 1.1.

Growth-share matrix is a business tool, which uses relative market share and industry growth rate factors to evaluate the potential of business brand portfolio and suggest further investment strategies. One of the dimensions used to evaluate business portfolio is the relative market share, which explains that higher market share yields the higher cash returns. High market growth rate means higher earnings, and sometimes profits, but it also consumes lots of cash, which is used as investment to stimulate further growth. These two dimensions are explained by Star, cash Cow, Dog, and Problem Child in the product portfolio matrix. Stars operate in high growth industries and maintain high market share. Stars are both cash generators and cash users (Star). Cash cows are the most profitable


**Fig. 1.1** Strategic position and evaluation matrix (*Source* Author)

brands and should be exploited to provide as much cash as possible. The revenue earned by such companies is invested into stars to support their further growth. Low market share compared to competitors and operated in a slowly growing market (Cash Cow). In general, these portfolios are not worth investing in because they generate low or negative cash returns (Dog). Some companies require much closer consideration to promote their brands in competitive and complex environments (Problem Child).

Quantitative strategic planning matrix is based on time-series analysis in business data to evaluate the performance of product portfolios in specific markets. The big data and business analytics methods support the performance analysis and decision-making for most companies in the competitive marketplace (Pérez-Chacón et al., 2020). The competitive matrix is an industry analysis tool similar to the Five Forces analysis suggested by Michael E. Porter. This matrix compares the characteristics of multiple brands within the market segment to identify their differences, strengths, and weaknesses. strategic measurement and performance evaluation tools discussed above are interrelated with the strategic marketing. The analysis of strengths, weaknesses, opportunities, and threats is associated with the industry attractiveness analysis and market competition matrix while the product portfolio matrix is related to the growth-market share analysis of a firm for specific brand portfolios. These strategic tools are affected by the internal and external factors. The balance score card suggested by Kaplan and Norton has emerged as the key tool to measure the organizational performance.

Markets for implementing brand strategies can be divided into three levels comprising premium markets, regular markets, and Bottom of the Pyramid (BoP) markets located in rural habitat in a region. Consumer behavior toward large firms in the premium markets and regular markets are generally driven by push factors including brand equity, brand personality, and brand endorsements; while brand strength is determined by the consumer pull factors like price advantage, social status, and perceived use value in the BoP market segments. The BoP marketing strategies are contemplated toward stimulating commerce which reveals that multinationals could radically improve the lives of billions of people and help create a more stable, less dangerous world. Achieving this goal does not require a multinational company to spearhead global social development initiatives for charitable purposes (Rajagopal, 2012).

## Market Segmentation in Latin America

Traditionally, the companies based on demographic attributes of a market form market segments. Segmentation analysis allows the companies to understand buyer attitudes, motivations and values, patterns of usage, competitive preferences, and degree of association with the products. Current practices of market segmentation for consumer and industrial products show that most companies are relying on demographic and anthropomorphic segmentation by focusing on the cognitive dimensions of the consumers mapping their perceptions, attitudes, and behavior toward buying (Yankelovich, 1964). In the markets, where consumer preferences are congruent to products and services are largely inelastic to the innovative differentiations introduced by the competitors for a sustainable period for the homogeneous consumer segments. Such segments provide companies the opportunity to develop uniform marketing strategies in distribution, retailing and sales, pricing, promotions, and advertising to serve the market area. Consumers of certain age, interest, propensity of buying, and cognitive attributes form homogeneous markets. Market segmentation process in a company is woven indirectly around the consumer and his values, which helps companies to increase their market share and profitability in the selected market segment (Golub et al., 2000).

Market segmentation, targeting, and positioning are the key functions for a company to implement marketing-mix strategies in a marketplace. Market segmentation is specific to the consumption pattern and the consumer behavior within the region. There are different types of consumer segments including homogeneous, heterogeneous, and consumers with varied socio-economic profiles. Most consumer-centric companies develop market segments by evaluating the socio-economic profile, spending propensity, and consumption pattern of consumers, and their desire for vogue brands. The segments developed with the above criteria are classified as premium, mass (upper and lower), and bottom-of-the-pyramid consumer segments. In addition, companies considering the intensity of market competition, and the market players also segment markets (Cui, 2009). The classification of market segments based on the socio-economic profiles of consumers is presented in Table 1.1.

Age, gender, income, ethnicity, marital status, education, occupation, household size, length of residence, and type of residence, etc., constitute

**Table 1.1** Socio-economic segmentation of consumers in Mexico

| *Socio-economic level* | *Attributes of consumers* |
|---|---|
| A/B | Household income per month over US $7000 on an average. Members of family possess checking bank accounts and more than two credit cards. Live in homes or apartments with more than three or four bedrooms and two or three bathrooms |
| C+ | Household income ranges between $3000 and $7000 per month. One or two credit cards will be available in the family. Live in homes or apartments with two or three bedrooms and one or two bathrooms. Family members own one or two cars, two telephone lines and two television sets. About 20 per cent of households in this category own a computer |
| C | Household income ranges between $1000 and $3000 per month. Some families have a credit card. Live in homes or apartments with two bedrooms and one bathroom. Own one basic automobile, one telephone line, one television set and one audio system |
| D+ | Household income ranges between $600 and $1000 per month. Family members do not possess credit cards. Live in homes or apartments with one or two bedrooms and one bathroom. Do not own any automobile but have one telephone line and one radio |
| D | Household income ranges between $200 and $600 per month. No credit cards. Live in homes or apartments with one bedroom and one bathroom. Use public transport and communication means. Own one television set and one radio |
| E | Household income stays under $200 per month. Families live in small homes, a third of which have a bathroom, but most do not have a connection to a municipal sewage system. Household in the class do not possess a telephone but most have only one television set and one radio |

*Source* Adapted from (a) Grupo Elektra (2000) *Annual Report*; (b) Chu, M., & Garcia-Cuellar, R. (2007). *Farmacias Similares: Private and Public Health Care for the Base of Pyramid in Mexico.* Boston, MA: Harvard Business School Case

the demographic variables used for segmenting the market. The territorial determinants comprise city, state, zip code, census tract, county, region, metropolitan or rural location, population density, climate, etc. The psychographic variables include attitudes, lifestyle, hobbies, risk aversion, personality traits, leadership traits, magazines read, and television programs watched. The behavioral variables include brand loyalty, usage level, benefits sought, distribution channels used, and reaction to marketing factors, etc. All these variables influence the market segmentation process of multinational companies. On commercial websites and search engines like Google, Bing, etc., every click on the links of digital communities, leads companies to gain unprecedented insights into individual consumers. The companies then target them with tailored advertisements, hands-on experience tools, and social metrics to develop brand association. However, the scope of liberal communication on digital space might be invasive to people, and it can prompt a strong backlash. Therefore, Marketers today need to understand where to draw the line in the hybrid-marketing environment (John et al., 2018).

Segmentation based on buying behavior reveals a tremendous differential among consumers toward propensity to spend on preferred product attributes such as convenience, status, and quality. Customer-centric segments can be identified by analyzing price sensitivity, product attributes, customer perceptions, and tradeoffs of competitors with customers. Building right market segments assures creating the right customer value in the marketplace (Cross & Dixit, 2005).

## Micro- and Macro-Environments

Population, spending capacity of consumers, consumption pattern, and the market competition also contributes to the macroeconomic environment. Therefore, competitive advantages need to be designed in view of corporate goals, the macro-environment comprising politico-economic conditions, and the market competition. The micro-business environment consists of consumers, market segments, employees, organizational design, supply chain and operations management, market competition, investment, and stakeholders. These factors contribute to the internal marketing decision of the company.

The micro-and macro-environment factors affecting the marketing strategies and operations within the socio-economic market segments are illustrated in Table 1.2. These factors have been explained in the context of three retailing companies in Mexico-Elektra, Liverpool, and Palacio de Hierro in the services industry segment.

In Mexico, online and hybrid companies operate simultaneously in the marketplace. The hybrid companies operate on both digital platforms and brick-and-mortar infrastructures, which often create an invisible threat to the competing companies operating in the marketplace. Such markets are identified as *hybrid market segments*. Hybrid market segments deliver convenience to consumers and build on price-value convergence business model. In this business model, any demographic, geographic,

**Table 1.2** Micro- and macro-environment factors in selected companies in Mexico

| *Environmental indicators* | | *Elektra* | *Liverpool* | *Palacio de Hierro* |
|---|---|---|---|---|
| Macro | Demographic | Socio-economic segment—D+, D, and E | Socio-economic segment—C+ and C | Socio-economic segment—A/B |
| | Customer Spending | Credit linked (daily, weekly, monthly EMIs) | Cash and credit (monthly) | Cash and credit (monthly) |
| | Consumption Pattern | Subsistence | Economic and moderately high | Luxury or conspicuous |
| | Market competition | Lower niche, bottom-of-the-pyramid | Mass market competition | Mass and premium segment competition |
| Micro | Consumer Preferences | Low-cost technology and perceived use value | Contemporary trends, technology, and overseas brands | Vogue, signature brands, high value technology, status |
| | Price | Low price | Moderate price | Moderate to High Price |
| | Promotions | Credit- linked promotions, high frequency | Periodical promotions-discounts and credit promotions | Selective promotions |
| | Customer services | Credit-verification, and post-sales services | Post-sales, delivery, and customer relations | Delivery, customer relations |
| | Loyalty programs | Selective | Loyalty cards, memberships | Loyalty cards, memberships |
| | Augmented services | Negotiable | Guarantee, insurance | Guarantee, insurance |
| | Virtual sales | None | Yes | Yes |

*Source* Author Research

psychographic, or behavioral variable can be used to classify people into segments. The target segments are chosen by the companies in reference to age, gender, economic profile, social relations, and peer influence. A differentiated and focused target segment serves for specific brands in a region, and over time. The market segmentation is also done in reference to the consumer preferences for product attributes, which are significantly linked to their lifestyle. The lifestyle theory suggests that the consumers' perceived hedonic attributes and social identity factors determine the shopping behavior of urban consumers (Zhu et al., 2009).

Industrial consumers transact products and services in the business-to-business market segment. The business-to-business clients buy products and services that are needed to perform business in their company. Public consumers have needs that are less defined. Larger companies have marketing departments that identify market segments and customer needs. In smaller companies, marketing is performed by engineering, sales, and management. Industrial markets include industrial markets consisting of intermediaries where all buyers are identified except the end buyers. Industrial clients buy raw material for production process and infrastructure development. The buying process is performed through negotiation between manufacturers, wholesalers, and the client following a direct transaction or via intermediaries. Many consumer product companies develop business-to-business marketing strategies for industrial clients. Furniture manufacturers often do this, opening up their tables, chairs, and couches to businesses that may want them for their corporate offices. This typically happens when the manufacturer's business grows to a large enough scale to accommodate larger orders. Service providers expand to industrial clients to take advantage of more lucrative contracts to deal with the services that contribute to an increase in the performance of clients. Most suppliers focus on customized procurement preferences of industrial clients and are governed by the client-specific Terms of Reference (TOR). Rather than trying to sell standardized products or services to the biggest possible set of buyers, B2B companies develop ways to help specific customers achieve better outcomes (Ettenson et al., 2018).

Three prominent products in the business-to-business segment are food and beverages, office supplies, and data and communication services. Food and energy production are competing within proximity to compete in the business-to-business market segment. Corn and sugar are becoming increasingly important for procurement in both sectors. These products are sold to industrial client on reverse auction business model. This model is based on the Monopsony principles where many suppliers target to one buyer. The buyers are segmented by the industrial needs, procurement policies, and locations while most supplier companies target them based on the buying potential, purchasing power, and propensity of buying. Agricultural technologies augment productivity even in difficult conditions, which drive price and supply benefits. The food-and-agribusiness value chain comprises a wide range of companies, from suppliers of agricultural machinery, seeds, chemicals, animal-health tests and vaccines, and packaged foods to data providers for precision agriculture (Goedde et al., 2015).

Office Supplies are technology-driven today. Some technologies created as many problems as they solved. Manufacturing-resource-planning (MRP) systems, for example, promised a fully automated solution to difficult production-scheduling activities. The office supplies range from stationery to electronic multifunctional systems that provide photocopying, printing, scanning, binding, and advanced office presentation services. In addition, Radio-frequency identification (RFID) tags were intended to provide a real-time view of the progress of every item from production line to customer, revolutionizing supply chain management in the process. In practice, high cost and difficulties in implementation have limited the use of the technology to a few niche areas (Alicke et al., 2017).

Data management and communication has been the major requirements of clients in the business-to-business market. The demand for data management in companies (especially banking, insurance, and capital businesses) has shifted from conventional mainframe management to Big Data and Cloud management. Big data is far more powerful than the analytics and communications of the past. These services make better predictions and smarter decisions in the companies. The notable data and communication companies are Microsoft, IBM, HP, Cisco, Oracle, and AT&T. They target more effective interventions in areas that so far have been dominated by gut and intuition rather than by data and rigor. The differences between big data and analytics are a matter of volume, velocity, and variety. Nearly real-time information makes it possible for a company to be much more agile than its competitors (McAfee & Brynjolfsson, 2012).

Traditionally, the companies based on demographic attributes of a market form market segments. Segmentation analysis allows the companies to understand buyer attitudes, motivations and values, patterns of usage, competitive preferences, and degree of association with the products. Current practices of market segmentation for consumer and industrial products show that most companies are relying on demographic and anthropomorphic segmentation by focusing on the cognitive dimensions of the consumers mapping their perceptions, attitudes, and behavior toward buying (Young & Javalgi, 2007). Market segmentation, targeting, and positioning are the key functions for a company to implement marketing-mix strategies in a marketplace. Market segmentation is specific to the consumption pattern and the consumer behavior within the region. There are different types of consumer segments, which include homogeneous, heterogeneous, and consumers with varied socio-economic profiles. Conducting a methodical marketing research is necessary for the companies to level the market segmentation, targeting, and positioning strategies; and intensify competitiveness among all firms, with the results of improved market efficiency and benefits to consumers and society (Guo, 2004).

## Disruptive Product Development Process

Idea generation in the process of new product development is a major exercise. This technique calls for listing of all major attributes of the existing product and the needed attributes in order to improve the same product. Brainstorming has a major role in the idea generation process. Contemporary methods for ranking the relative merits of ideas generated by brainstorming sessions rely on comparing average scores across members of the group. Ideation process for new product development can be stimulated through metaphors, pictures, and experience. It is rooted in the philosophy of rationalism and empiricism, implying 'the truth is out there' approaches (Barczak & Kahn, 2012). It is observed that defining cognitive idea generation is based on personal experiences and beliefs driven by individual and social information. However, these forms of idea generation process are individualistic and not amenable to team contexts (Bhatt, 2000). Mentors provide motivations, set goals, develop entrepreneurial mindset, and resolve budget constraints in reference to the new product development or innovation projects.

Product ideas have to be turned into concept, and product concept can be turned later in to the brand concept. The concept testing calls for testing of these competing concepts with an appropriate group of target consumers. The concepts can be presented physically or symbolically. The consumers' response may be summarized, and the strength of the concept may be judged. The need-gap and product-gap levels may be checked and modified thereafter. The concept testing and product development methodology applies to any product or service. The business analysis includes estimating the sales as it would be of one-time purchase, frequently purchasing product or at regular interval purchase product. Consumer oriented innovation is an increasingly important source of new product development and the competitive advantage in reference to the speed with which product innovations are introduced to the market. In many cases, aesthetic properties are as important as technical functions (Petiot & Grognet, 2006).

Technology growth and consumerism are synchronized in the contemporary times. New ideas are need based and technology oriented, which, upon transforming into products, attract categorical geodemographic segments. The 3-dimensional printers are one of such innovations, which is positioned in the up-stream markets to cater to the high-end customers. The attributes and applications of 3-D printing enable partial customization at relatively low costs. However, this product is currently serving efficiently in the business-to-business market segment. 3-D printers can be identified as disruptive technologies that enable consumers to opt for either online services or owning the printer for personal or business use. However, such high-end products might significantly narrow down the scope of sales, user values, and competitive leverage in the markets of developing economies. Consequently, it is difficult for the high-end disruptive products to achieve the economies of scale in low-income countries (Berman, 2012). Disruptive technologies tend to underperform on attributes if they do not fit into the broad strategies of marketing-mix elements. However, reconfiguring the customer value propositions as a way to overcome the technological inferiority or superiority of disruptive technologies appears to be a major challenge (Pinkse & Bohnsack, 2017).

Product mix constitutes a bi-dimensional metric comprising product width (portfolios) and product line within the portfolio. An effective product proliferation in a company needs to be based on several principles that include asking consumers whether a greater assortment is required, arraying products into consumer-behavior-based strata, evaluating the associated stretching and pruning strategies for the new products, and measuring the leverage of mass customization. Wherever appropriate, companies need to offer more product choice while expanding the product mix, and implement effective strategies for managing the products across the consumer segments (Berman, 2011). A store may intentionally have a shallow product depth to keep inventory costs down. In other words, the product depth indicates the volume of products displayed in the shelf of retail outlets. Product mix is a sensitive matrix in the context of marketing, inventory management, and profit contribution. Often, the product mix is not managed objectively as top managers tend to associate with it emotionally. It causes disequilibrium in the product-market dynamics creating a rift between the fast- and slow-moving products. Therefore, product mix has to be handled efficiently to lower the costs and increase the profit contribution of each product within the product mix. The length and width of the product mix need to be aligned to identify the fast- and slow-moving products of the company for optimizing the product line. The slow-moving products should be pooled, and suitable product management strategy should be developed by measuring their market share and volume of sales. Based on product-metrics analysis in reference to the market share of products, consumer behavior, market competition, and corporate appropriate strategy can be selected by the companies. The product line can be stretched downward or upward, or both ways, depending upon the range of competitors, and the simultaneously existing product lines in the market. The downward stretch results in selling the upper-end products initially at cheaper rates. Product featuring is another strategy to promote the slow-moving products in a company. Consumer-centric companies highlight the use value of successful brands in each product portfolio by communicating the user-generated contents and consumer experience. In advertising the slow-moving products, companies generally endorse the name of the company like '*From the manufactures of Nestle Quality Products*' *or* endorse the name of successful brand of their own product portfolio such as '*From the manufacturer of Nescafe…*'.

It is necessary to control the overlap of products in the product line. Companies introduce new products with marginal differentiation within the product portfolio that create overlap of brands. Such product overlap strategy is developed and implemented by the companies to attract more customers to the product thereby increasing the overall market. This strategy leads to the long product line within a product portfolio, causing major problem toward the low market share and the profitability of products. Consequently, the product overlap strategy poses the threat of cannibalization of brands within the product line. The company should have a close understanding of consumer needs and uses of the products for effective implementation of the strategy. Implementation of this strategy helps companies in increasing business growth, market share, and profits. With system-of-products strategy, the company achieves monopolistic control over the market, which may lead to some problems and emphasize on its product/market opportunities.

Front-end activities comprising concept development, concept-design alignment, and concept-commercialization allow customer-centric firms to validate strategies accordingly. The combination and synchronization of these elements largely influence the process and performance of new product development. Firms create new ideas through any means such as the internal ideation process, crowdsourcing, or hybrid insights comprising internal ideation, collective intelligence, and aligned technology design. Such systematic approach provides firms not only the design-thinking perspectives for products, but also enables them to develop design-to-market strategies, which give the firms directions to gain competitive leverage, enhance customer outreach, and the product dynamics in the marketplace (Floren & Frishammar, 2012).

Social motivations to consumers are revealed as social self-concept, which drive consumers in developing consumption behavior. Hence, to enhance the scope of social brand, marketing firms stimulate perceptions of consumers and help in developing attitudes across geo-demographic consumer segments. Most consumer-centric companies implement educational marketing campaigns through social media and informal networks to reinforce the ethical, environmental, and societal benefits of organic production (McEachern & McClean, 2002). Social media has transformational effects on consumers, and it often alters their conventional consumption behavior. Consequently, the technological affordances of social media and indulgence of consumers in sharing and believing user-generated contents have engendered new forms of consumption practices in the utilitarian and hedonic products and services segments. Nonetheless, the community interactions through social media empower consumers to analyze shared experiences on digital network and form consumption opinions on social marketers. Producing new cultural and sustainable products, and socializing access to sustainable luxury brands (Rajagopal, 2020; Zhang, 2017).

Behavioral touch points like self-reference, family, peers, society, ethnicity, culture, education, communication, and community values influence consumers in developing and streamlining their perceptions and attitudes toward buying and consumption. Customer-centric companies develop corporate strategies to create consumer behavior and implement repeatability formulas to expand homogeneity in the consumption pattern. Due to the accessibility of information technology, consumer behavior tends to shift geo-demographically. Most companies, therefore, prefer to develop crowd-based business involving consumers, society, and stakeholders. Alternatively, companies are also engaged in developing hybrid approaches. The conventional consumer behavior has two common characteristics that exhibit consumption discipline and socio-psychological factors affecting consumption economics (Rajagopal, 2020; Zook & Allen, 2003).

## Pricing Regulation: A Case of Mexico

In the competitive marketplace, prices of products and services are decided by the companies in the context of market trend and competitive leverage to the brands. Many companies tend to develop consumer value by creating the experience of value for money to increase product demand in every transaction. Contemporarily, firms lean on developing strategic pricing in order to gain competitive advantage in the market. The strategic perspective on pricing includes price objectives, price strategy, price structure, price levels, and price promotions. Globalization has driven various routes to market. Successful pricing strategies could create shared value in reference to augmenting consumer relationships, communicating the concept of value for money, and set proactive prices to encourage consumer buying behavior (Bertini & Gourville, 2012). Pricing structure is largely affected by the profit and cost center attributes that are immensely pushed by the firms to gain advantage over the competitors tactically. One of the pertinent problems in the profit-center structure is that it makes it impossible for the firm to consider a product's revenues and costs separately. Different price structures may be constructed based on various states of price equilibrium. A firm may engage in price competition if it has some sort of advantage enabling it to move first (Bryce et al., 2011).

Pricing plays a key role in the marketing strategy. Strategic choices about market targets, products, and distribution set guidelines for both price and promotion strategies. Product quality and features, type of distribution channel, end-users served, and the functions of intermediaries together help to establish a feasible price range. When an organization forms a new distribution network, selection of the channel and intermediaries may be driven by price strategy. Pricing regulation helps in controlling the fluctuations in prices and determining the customer value.

However, In Mexico the consumer pricing regulation as a public policy is not effective. The industry regulates consumer prices and maintains the competitive edge of pricing. The credit transaction and working capital buffer, borrowed from the primary market and banks, help companies in managing the credit and transactional gaps in business operations.

The food products prices remain uncontrolled in the country. The strict price controls were a feature of past regulations, recent regulations have been aimed at opening pharmaceutical pricing to allow more flexibility. Regulation of pharmaceutical prices in Mexico dates back to 1951, when the Act on Federal Executive Attributions in Economic Matters established maximum prices for drugs and other products. In 1984 a separate regulation for pharmaceutical prices was established in the General Health Law. Article 31 of the law conferred responsibility to the Secretaria de Comercio y Fomento Industrial (SECOFI, Ministry of Commerce and Industrial Development) to fix maximum retail prices for drugs. Based on this regulation, the maximum retail sales price for a drug was at that time based on analysis of the manufacturer's cost and operating expenditures with predetermined margins for manufacturers, wholesalers, and retailers (Moïse & Docteur, 2007).

### *Disruptive Pricing Effects*

Companies in Mexico tend to play pricing as a customer-sensitive strategy to attract customers and offer pricing discounts, consumer credit, and promotions as major strategies to stimulate demand and acquiring new customers. The Mexican consumer economy is largely supported by a credit-driven consumption culture. Most companies attract sales through the credit incentives, loyalty programs, and direct discounts. Such marketplace strategy requires enough price attractions, sales promotions, and simple credit transactions. In addition, pricing strategy must play a pivotal role in curbing the switching behavior of shoppers in alternative channels or price sensitive markets (Roth, 2008). Many researchers argue that the increasing globalization is reducing heterogeneity in buying behaviors of young consumers as the consumer credit facilities are leading to augment the purchasing power. The increasing credit-led retailing has expanded the opportunity among consumers to access trendy products and stay tuned to fashion in the society. In addition, services like higher credit limits and domicile services are helping retail shops to acquire and retain customers with their brand tags (Srivastava, 2008).

Pricing regulation is effective in Mexico for sectoral products and services, which include pharmaceutical products and public utility services such as energy and water consumption. The authority responsible for applying and enforcing the regulatory framework in relation to pharmaceutical and medical devices is the Federal Commission for Protection against Sanitary Risks (COFEPRIS), which is a decentralized agency of the Ministry of Health. Price control in the private sector is based on a scheme of self-regulated maximum retail price (MRP) only covering patented products, overseen by the Ministry of Economy. Nonetheless, the participation of pharmaceutical companies in the price regulation process is voluntary. Under the price control norms, the MRP of predetermined products must not exceed an international reference price, which is estimated as the average price in six major markets in the North America and Latin America, plus a market factor. These reference markets change according to the consumer price indices, inflation, and demand and supply equilibrium. The MRP policy is not strictly reinforced in the country and there are no established sanctions for violations of the MRP.

The credit facilities and promotions attract customers of bottom-of-the-pyramid (socio-economic segment of D, D+, and E). According to evolutionary psychology (Griskevicius & Kenrick, 2013), conspicuous consumption may represent a means of competition in mate attraction. Consumers with low income tend to buy conspicuous goods on credit, as it signals high status to compensate for their feelings of economic powerlessness and the relatively inferior social value and lifestyle. The credit-led buying behavior among consumers in Mexico also promotes conspicuous buying behavior besides the other social and cognitive variables. Social comparisons drive conspicuous consumption effectively for those consumers who do not have a clear and well-articulated self-concept. Companies borrow finance from banks and primary markets manage the working capital emerging out of the credit gap. To achieve their extended goals, the companies use extended brands of high value products with affordable prices and credit-linked promotions for the mass market consumers (Immorlica et al., 2017).

## Disruption and Strategic Thinking

Multinational companies are practicing reverse innovation as one of the best practices suggested by General Electric Company, in which products are designed first for consumers in low-income countries, and then adapted into disruptive offerings for developed economies. Companies adapting to the reverse innovation practices tend to market products at low price as it requires low technical requirements. Such reverse innovation products are created for low-income markets, but could have global appeal (Winter & Govindarajan, 2015). Disruptive innovation is linked to reverse innovation that drives the firms back to the consumers' buying behavior in reference to 4As paradigm comprising awareness, acceptability, adaptability, and affordability. Reverse innovation refers to developing ideas in emerging markets and persuading them in the existing markets, which drives tough challenges. Such innovation requires a company to overcome the institutionalized thinking that guides its actions and acquires ideas through the social media. Firms following reverse innovation develop a radically simpler and cheaper way of creating products in emerging markets and then position them in the desired consumer segments (Govindarajan, 2012; Rajagopal, 2014).

Implementation of effective marketing strategy is a 'building-block' exercise, which requires perfect coordination among various elements of marketing-mix and associated attributes like emotions, validity of decisions, and consumer value. Such architecture of marketing strategies helps companies in developing a brilliant breakthrough of their products and services in the competitive marketplace. There are several ways to develop and implement a successful marketing strategy experimented by the companies in the past century. Marketing strategies are developed by the companies to fit into organizational design of the companies. Design of a marketing organization is founded on the structural variables, organizational resources including human capital and finance, capabilities and competencies, and the workplace culture. The performance of marketing strategies varies for the companies with different organizational designs representing prospectors, analyzers, low-cost defenders, and competitive differentiation oriented company policies (Rajagopal, 2021).

As the competition of disruptive products increases, most companies tend to spend more in advertisement, promotions, and deliveries of products. However, the companies face the dilemma to trade-off between full-cost and marginal-cost (Christensen et al., 2008). As the competition is increasing, companies are shifting from category-focused marketing to an ecosystem-focused strategic mindset, which accounts for the network-based marketing engaging consumers in co-designing market performance and values. Such shifts in corporate philosophies have altered consumer preference, strategy choices, and customer networks from conventional platforms. The impact of the shift in strategic mindset toward ecosystems on competitive structure analysis has induced companies to follow strategies of successful brands, competitive strategy analysis, promotion planning, new product development, customer valuation, strategic alliances, and market segmentation (Dass & Kumar, 2014).

Strategic planning is a long-term approach in managing various perspectives of organizational growth and administering managerial activities to reach prolonged goals. In strategic planning process firms document managerial approaches and establish a direction to reach out the long-term goals by assessing various linear and discrete activities. The strategic plan helps firms to build and refine organizational mission, vision, objectives, and values to achieve them collectively. The strategy determinants aim to evaluate how the company visualizes the activity integration within the broad organizational framework that embeds mission, vision, and objectives. In the strategic planning firms aim to create value through the following elements (Gomes-Teixeira & Junior, 2019):

- Approach—develops long-term mission, vision, and objectives of the firm in various business portfolios categorically,
- Objective—identifies the purpose of the growth and activity integration,
- Support—assesses senior managerial relationship to integration,
- Importance—evaluates the commitment and maturity that the company has to integration, and
- Decision-making—evaluates the degree of influence across the areas of work within the organization.

The organizational parameter focuses on evaluating how the values, beliefs, behaviors, and mission of the company are converged with organizational design, function and culture. A strategic planning system is a structured process, which helps firms in organizing and coordinating the activities of managers who plan. A strategic planning system develops an integrated, coordinated, and consistent growth through a long-term plan of action, and facilitates adaptation of the change management within the company. Among many factors, communication of corporate performance goals, the goal-setting process, organizational design, managerial roles, the corporate planner's tasks, and the linkage of planning and budgeting affect the strategic planning in an organization to carry out its administrative activities (Lorange & Vancil, 1976).

Over the years, strategic planning has evolved to build organizational culture, group dynamics, and leadership. Strategic planning originated in the management literature. It can be defined as breaking down a goal to achieve it into steps over predetermined time, formalizing those steps so that they can be implemented almost automatically, and articulating the anticipated consequences or results of each step (Mintzberg, 1994). By identifying basic trends and uncertainties, a manager constructs a series of scenarios that helps in overcoming the usual errors in decision-making. A strategic planning system is a structured process that organizes and coordinates the activities of managers who plan. A strategic planning system develops an integrated, coordinated, and consistent long-term plan of action, and facilitates adaptation of the corporation to environmental change. Successful strategic planning requires analyzing managerial goals, diffusing strategic knowledge, and developing operational resources. It is argued that though operational effectiveness is necessary to superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position in the systems of activities in an organization that can be synchronized with the goals of organizational growth (Porter, 1996).

Low-end competitors pose a major threat to the companies in an industry. A company operating in the marketing at relatively lower prices for a similar or identical product disrupts the growth of the product as it cannibalizes the market share of principal competing brands. Many such low-end companies exhibit a taxonomy of disruptors, which include bare-bone companies, raiders, improvers, or challengers. Bare-bone firms operate with emphasis of low price and limited functions focused on the customer convenience, while raiders enter the market as attackers. These firms apply quick response strategies including features of product attractiveness, low prices, rapid and convenient deliveries, and multi-layers product promotions to gain the market share by cannibalizing the market share of competitors within proximity. Companies entering the market with disruptive products as an incremental innovation are less harmful to competitors. These firms play the role of improvers in the market and deliver positive effects of disruption. Challenger companies penetrate a market with strong financial support, strategies, and crowd cognition. However, disruptive tactics may serve effectively during short term, but low-end challenges are inevitable and remain in the market (Potter, 2004).

Strategic thinking helps new entrants adjust ecosystem with the socio-economic, cultural, and market-led factors that influence one another and stimulate the management of the design cube comprising design-to-market, design-to-society, and design-to-value. Business ecosystem is fundamentally based on these triadic design pillars. Large companies tend to explore radically new technology to disrupt existing markets, while new entrants focus on pursuing value-adding improvement in the existing products and technologies on the frugal innovation platform. In this process of orchestrating business ecosystems, multinational companies and joint ventures follow an integrative and long-term perspectives in business embedding business goals and strategic interests in decision-making. Such strategic business goals help these firms develop backward and forward linkages with suppliers and buyer-groups to develop operational integration (Zahra & Nambisan, 2012).

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