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MARKETING AN INTRODUCTION

Armstrong/Kotler

Global Edition

Company and Marketing Strategy

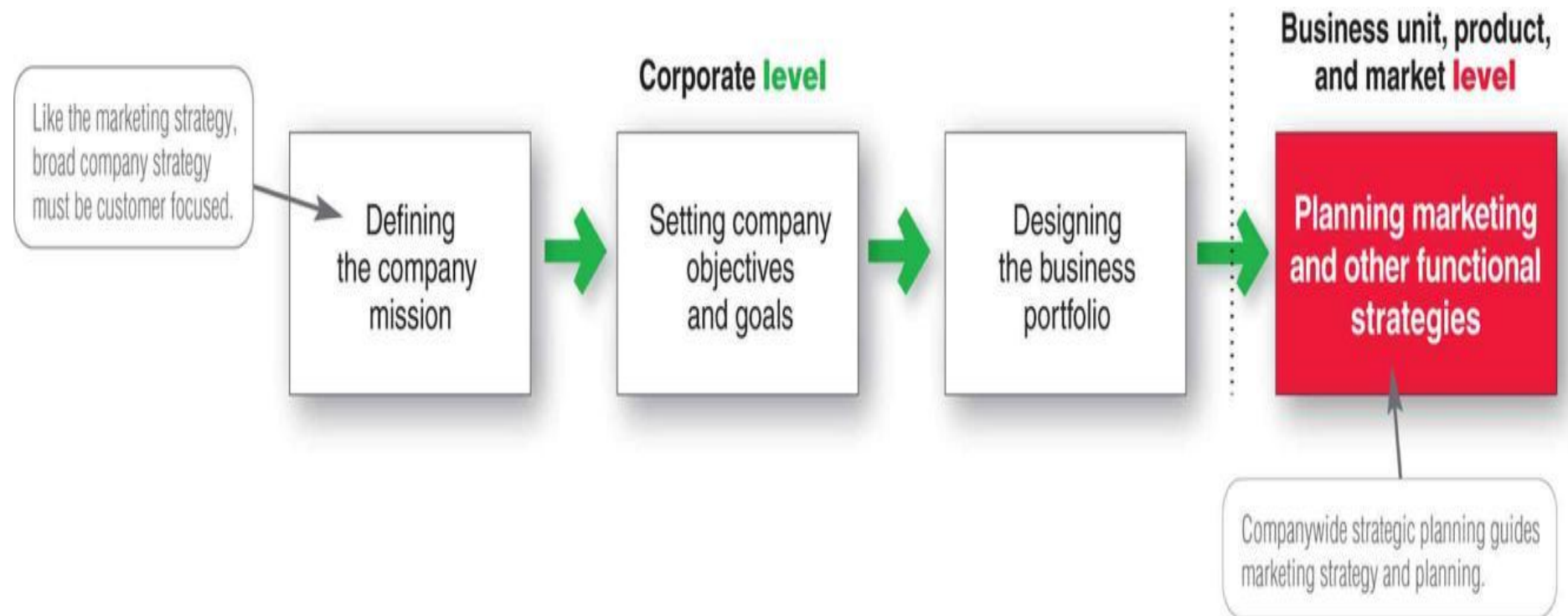
Partnering to Build Customer Relationships

Strategic Planning

The process of developing and maintaining a fit between marketing opportunities and organizational goals and



Companywide Strategic Planning steps



The Mission Statement Definition

A mission statement is a statement of the organization's purpose—what it wants to accomplish in the larger environment.

- **Example:** Nike's mission is “to bring inspiration and innovation to every athlete in the world (if you have a body, you are an athlete).”

The Mission Statement: questions...

Questions the mission statement should answer include:

- What is our business?
- Who is our customer?
- What do consumers value?
- What **should** our business be?

Defining a Market-Oriented Mission



Setting Firm Objectives and Goals

The mission should be translated into supporting objectives for each level of management.

- The mission creates a hierarchy of objectives that are consistent with one another.

Example:

- Business objective: Increase profits.
- Marketing objective: Increase market share of domestic and international markets.

Designing the Business Portfolio

The Business Portfolio is the collection of businesses and products that make up the Company



Business Portfolio

Disney has become a sprawling collection of media and entertainment businesses.



Strategic Business Unit (SBU)

Strategic business unit:

- A unit of the company that has a separate mission and objectives and that can be planned independently from other company businesses.
- An SBU can be a company division, a product line within a division, or sometimes a single product or brand.

Designing the Business Portfolio

Business portfolio planning involves 2 steps:

1. Analyze its current business portfolio or strategic business units (**SBU**s) and decide which SBUs should receive more, less, or no investment.
2. Shaping the future portfolio by develop strategies for **growth** and/or **downsizing** that will shape the future business portfolio.

1. Analyzing the current Business Portfolio (BCG Growth-Share Matrix)

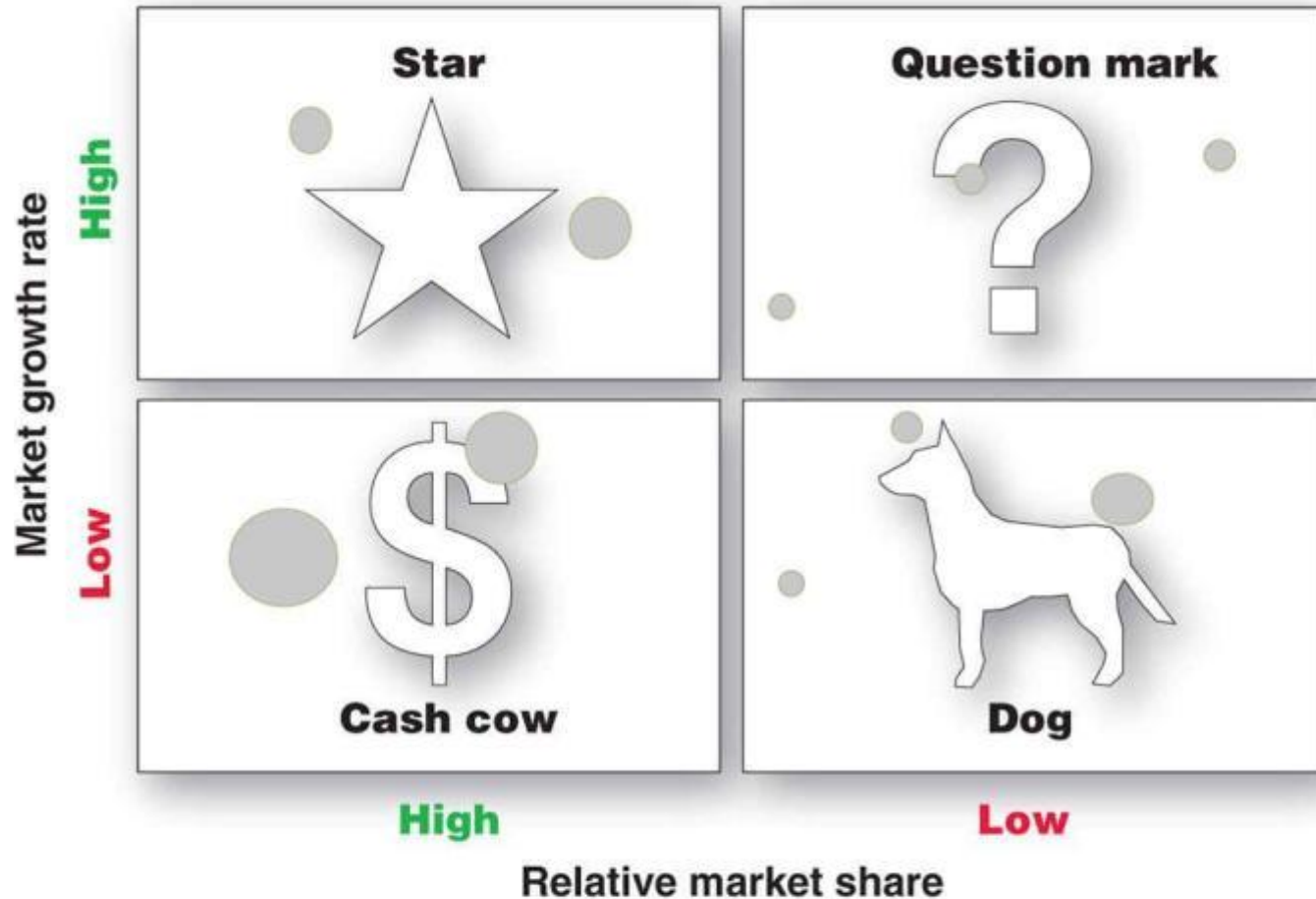
Portfolio analysis is a process by which management evaluates the products and businesses making up the company.

- Resources are directed toward more profitable businesses while weaker ones are phased out or dropped.

Analyzing the current Business Portfolio Analysis Cont.

- Standard portfolio analysis evaluates SBUs on two important dimensions:
 - **Attractiveness** of SBUs market or industry (market growth rate).
 - **Strength** of SBUs position within that market or industry (relative market share).
- BCG Growth Share Matrix uses market growth rate and relative market share to classify SBUs into four groups.

The Boston Consulting Group Approach



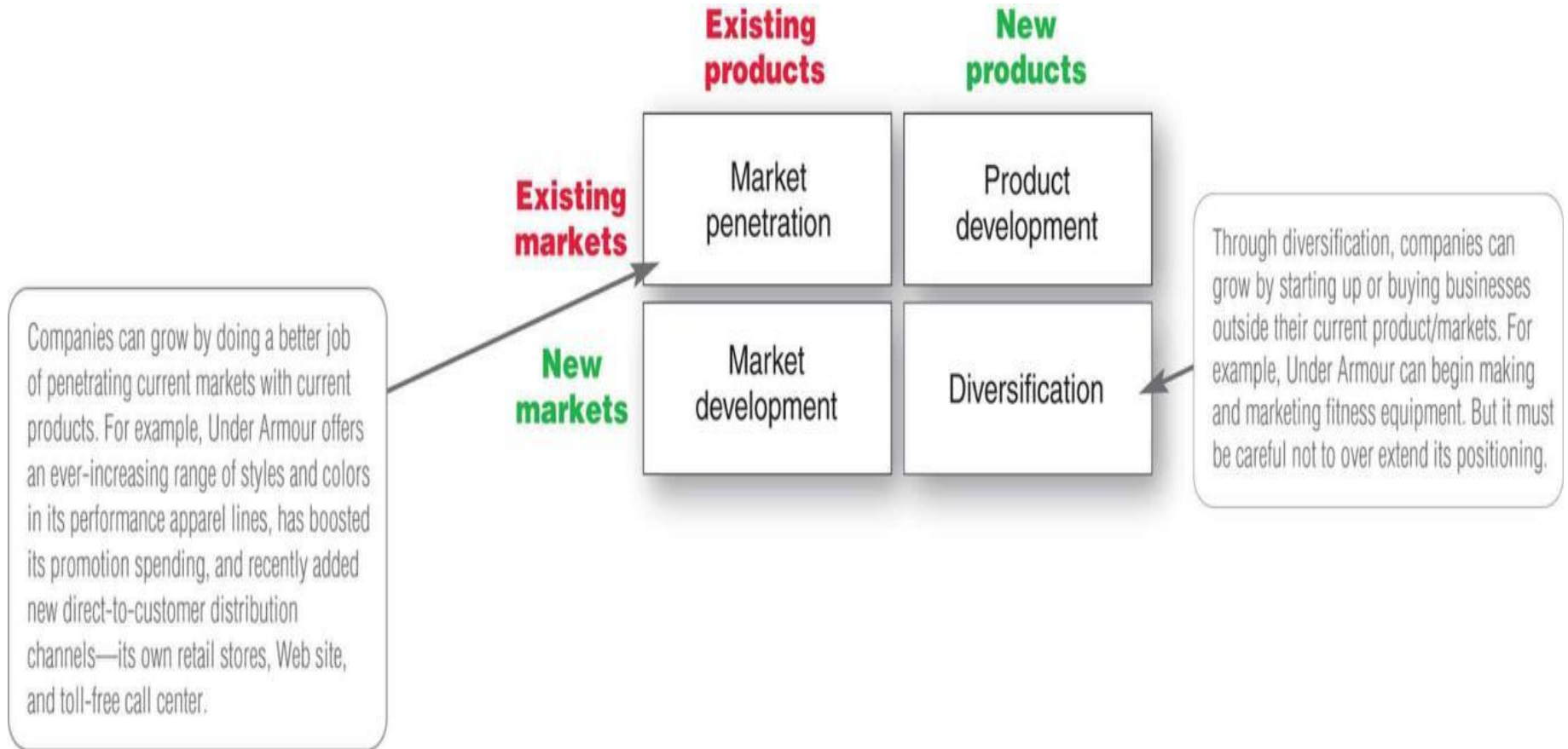
BCG Growth-Share Matrix

- **Stars:** High-share of high-growth market.
 - **Strategy:** They often need heavy investment to finance their rapid growth
- **Cash cows:** High-share of low-growth market.
 - **Strategy:** Maintain or harvest for cash to build STARS.
- **Question marks:** Low-share of high-growth market.
 - **Strategy:** Build into STAR via investment OR reallocate funding and let slip into DOG status.
- **Dogs:** Low-share of low-growth market.
 - **Strategy:** Maintain or divest (selling it or phasing out).

Problems with Matrix Approaches

- Several problems exist:
 - Can be difficult, time consuming, and costly to implement.
 - Difficult to define SBUs and measure market share and growth rate.
 - Focus on current businesses; gives little help with future planning.

2. Developing Strategies for Growth & Downsizing (Product/Market Expansion Grid)



Product/Market Expansion Grid Cont.

The product/market expansion grid can identify **growth opportunities**.

- Market penetration (Existing markets, existing products)
 - Growth by making more sales to current customers without changing products
- Market development (New markets, existing products)
 - Growth by identifying and developing new markets for its current products
- Product development (Existing markets, new products)
 - Growth strategy that offer modified or new products to current markets
- Diversification (New products, new markets)
 - Growth strategy through starting up or buying businesses outside of its current products and markets. That is, switch to a different line of business

Downsizing

- **Downsizing** reduces the business portfolio by eliminating products of business units that are not profitable or that no longer fit the company's overall strategy.
- Companies must not only develop strategies for *growing* their business portfolio, but also strategies for *downsizing* them.

Partnering to Build Customer Relationships & Create Customer Value



**Other Company
Departments**

Internal Value Chain



**Others in the
Marketing system**

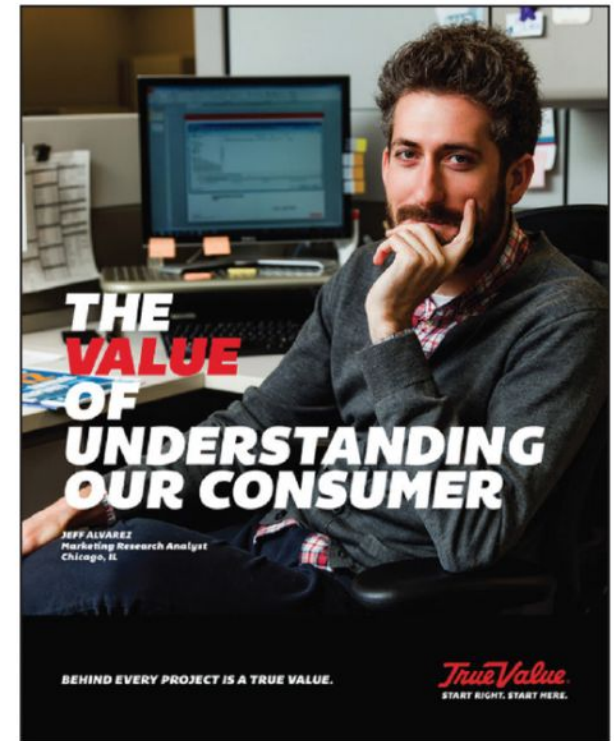
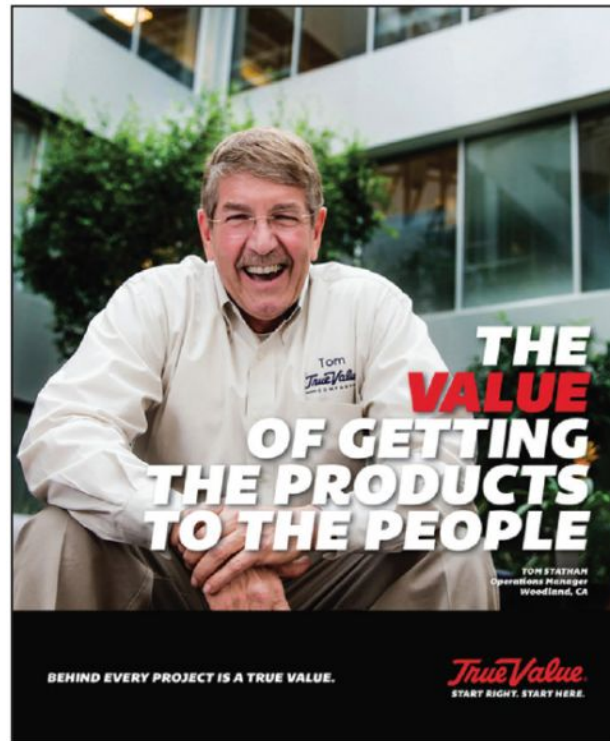
Value delivery network

Partnering with Other Company Departments

- Company departments are links in the company's internal **value chain**.
- Firm's success depends on how well the various departments coordinate their activities.
- Marketers should ensure all the departments are customer-focused and develop a smooth functioning value chain.

Partnering with Other Company Departments

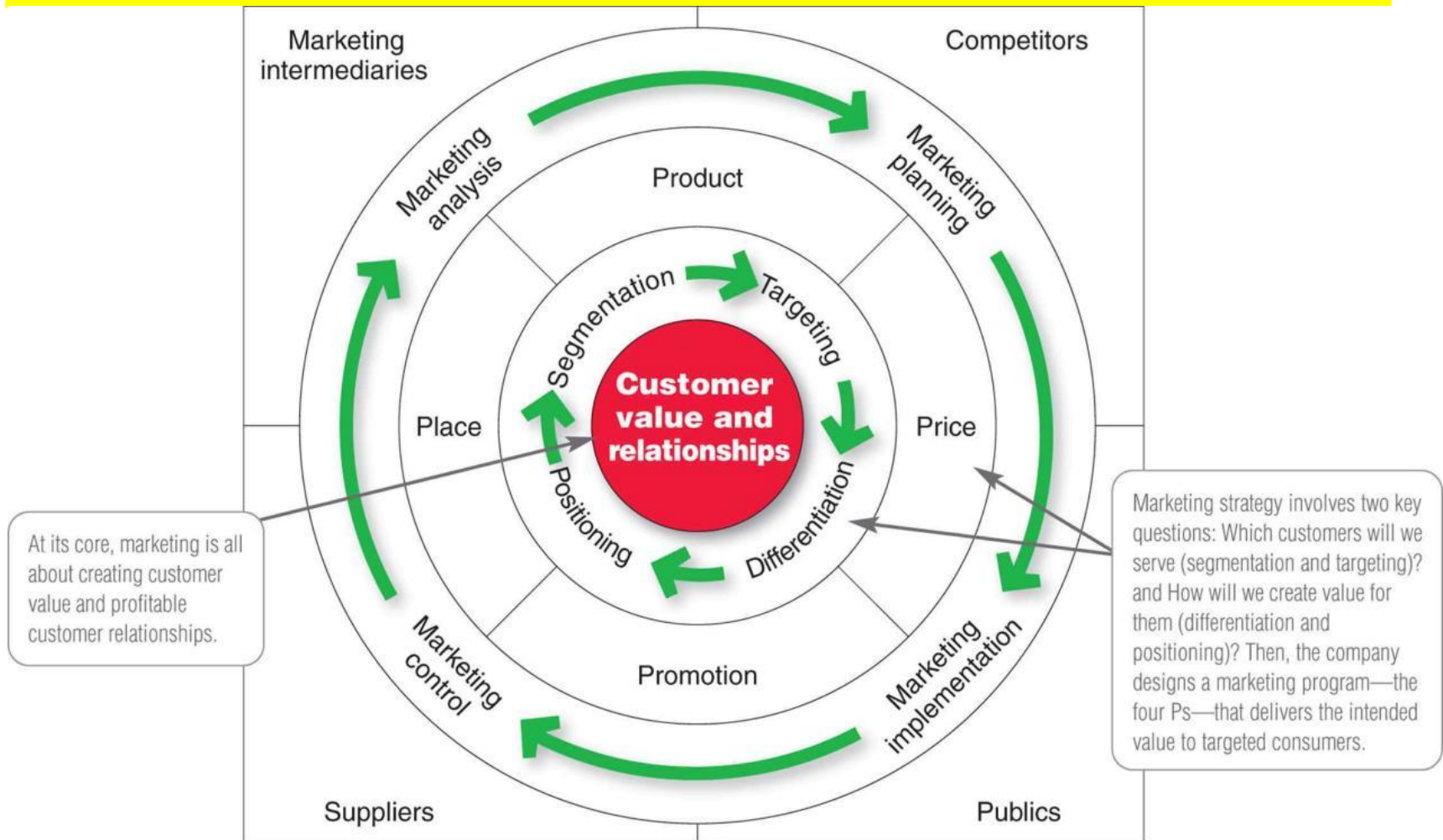
True Value's Internal Value Chain.



Partnering with Others in the Marketing System

- Companies should assess value chains
 - Internal departments
 - External: suppliers, distributors and customers
- **Value delivery network** is composed of the company, its suppliers, its distributors, and its customers

Marketing Strategy and the Marketing Mix



Marketing Strategy and the Marketing Mix Cont.

- **Marketing strategy** decisions include:
 - Market *segmentation* and *targeting*
 - *Differentiation* and *positioning*.
- **The marketing mix** (4ps) includes: *Product, Price, Promotion, and place*.
- Managing the **marketing efforts** includes: *marketing analysis, marketing planning, marketing implementation, and marketing control*.
- Marketing strategy must guide marketing mix decisions.

Customer Driven Marketing Strategy

Market segmentation is the process of dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors, and who might require separate products or marketing programs.

Market Segment: Group of consumers who respond in a similar way to a given set of marketing efforts

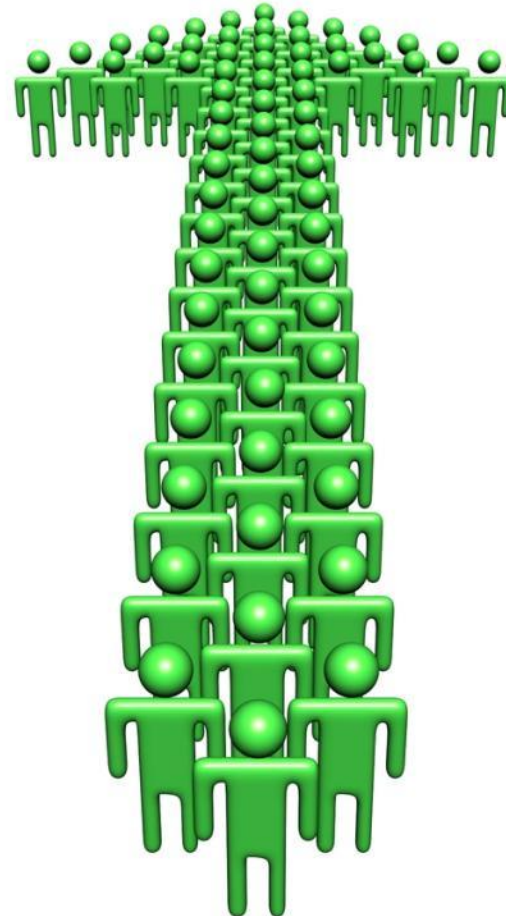
As mass markets have fragmented, marketers have shifted away from mass marketing.



Customer Driven Marketing Strategy

Market targeting involves
Evaluating each market
segment's attractiveness and
selecting one or more to enter.

Most companies enter a new
market by serving a single
segment, and if this proves
successful, they add more
segments.



Customer Driven Marketing Strategy

Positioning is arranging for a product to occupy a clear distinctive, and desirable place relative to competing products in the minds of the customer



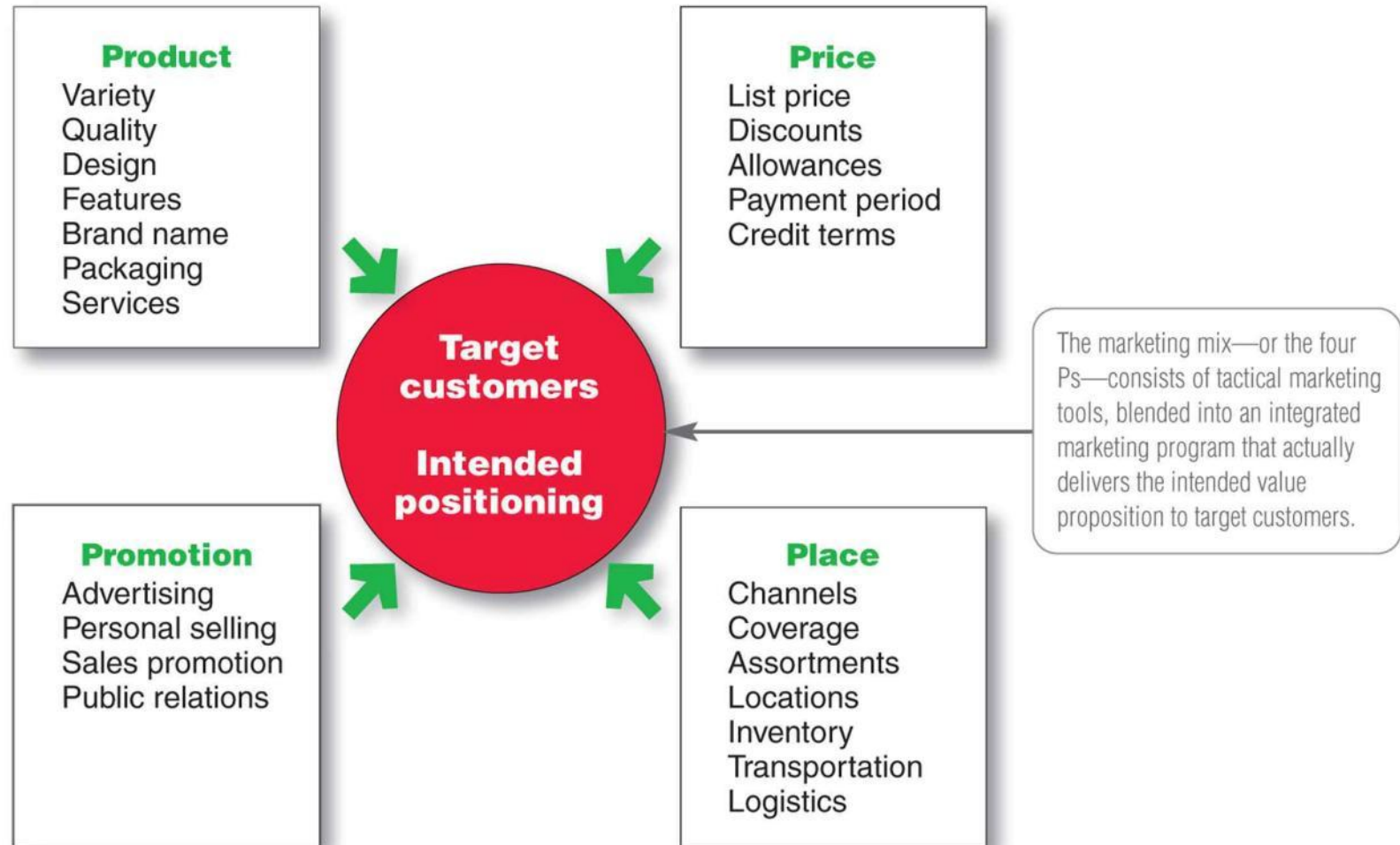
Customer Driven Marketing Strategy

Differentiation is the process of distinguishing a product or service from others to make it more attractive to a particular target market.

- It allows the company to Create superior customer value by actually differentiating the market offering.



Developing an Integrated Marketing Mix



The 4 Ps and the 4 Cs of the Marketing Mix

- 4 Ps –
Seller's View

✓ Product

✓ Price

✓ Place

✓ Promotion

- 4 Cs –
Buyer's View

✓ Customer Solution

✓ Customer Cost

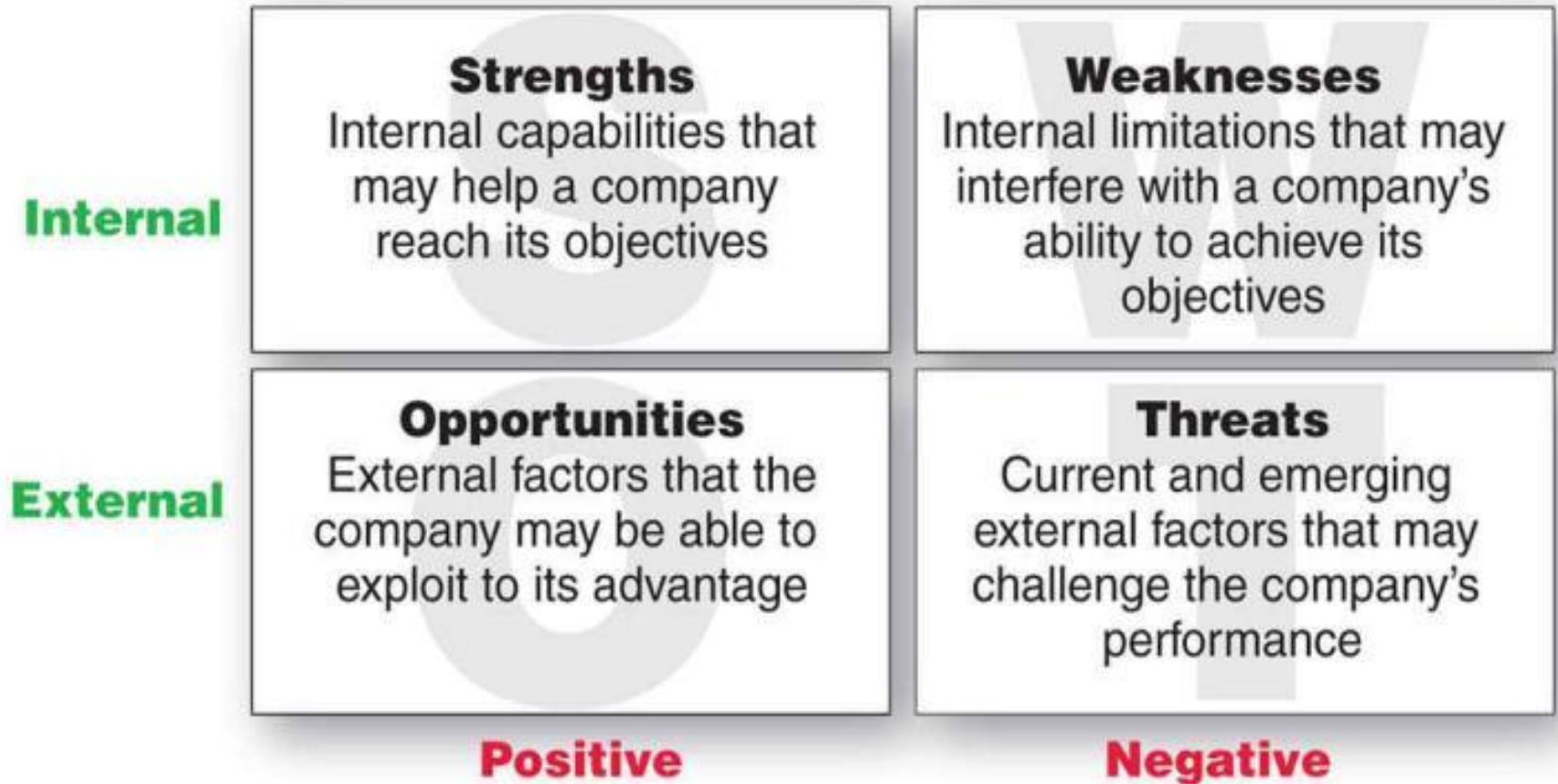
✓ Convenience

✓ Communication

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Marketing Analysis



Marketing Planning

Elements of a Marketing Plan

Executive summary

Current marketing situation

**Threats and opportunity
analysis**

Objectives and issues

Marketing strategy

Action programs

Budgets

Controls



Contents of a Marketing Plan

Section	Purpose
Executive summary	Brief summary of the main goals and recommendations
Current marketing situation	Gives the market description and the product, competition, and distribution review
Threats and opportunities analysis	Helps management to anticipate important positive or negative developments
Objectives and issues	States and discusses marketing objectives and key issues

Contents of a Marketing Plan

Section	Purpose
Marketing strategy	Outlines the broad marketing logic and the specifics of target markets, positioning, marketing expenditure levels, and strategies for each marketing mix element
Action programs	Spells out how marketing strategies will be turned into specific action programs
Budgets	Details a supporting marketing budget that is a projected profit-and-loss statement
Controls	Outlines the controls that will be used to monitor progress, allow management to review implementation results, and spot products that are not meeting their goals

Marketing Implementation

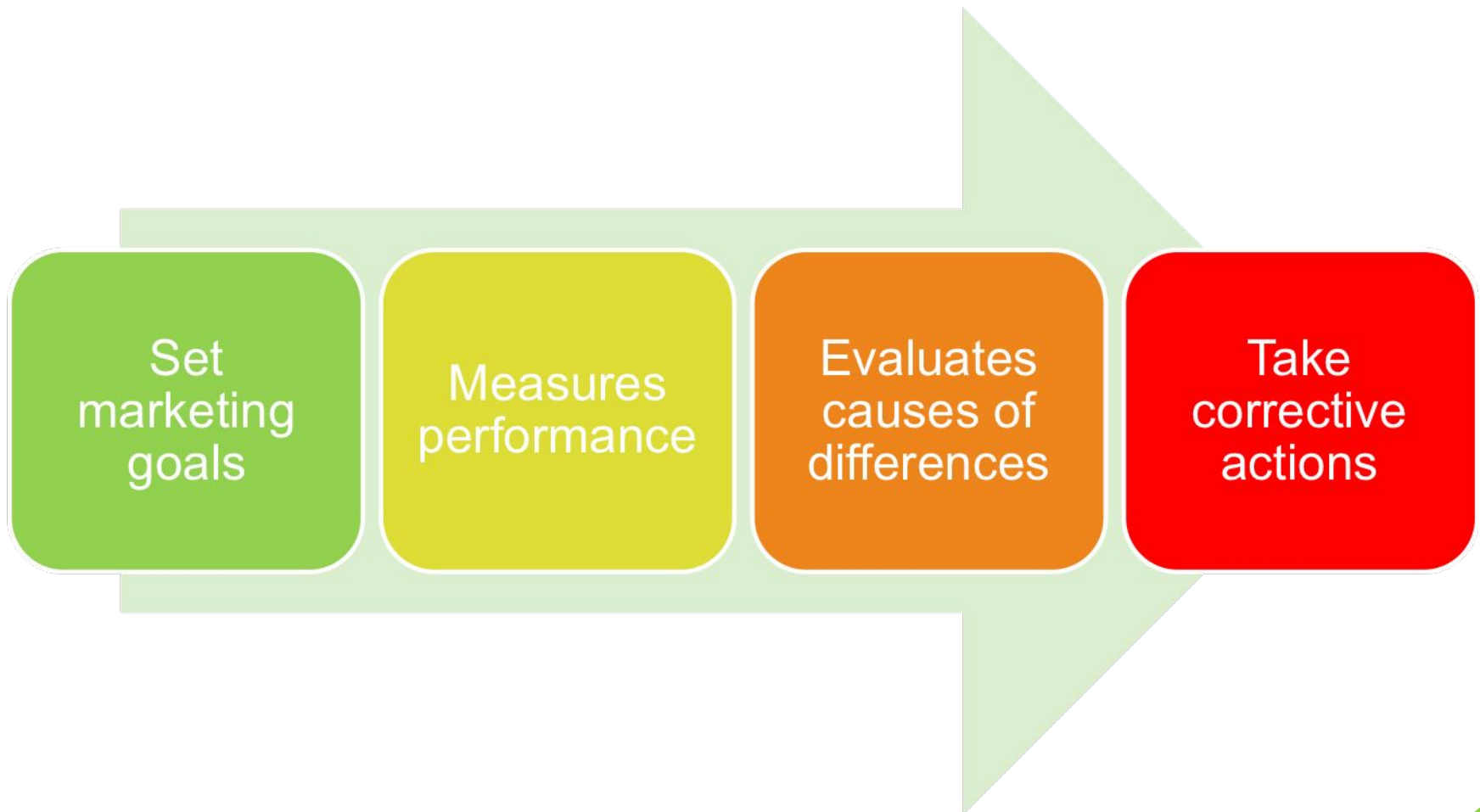
- The process that turns marketing *plans* into *actions* in order to accomplish strategic marketing objectives.
- Where marketing planning address **What** and **why** of marketing activities.
Implementation addresses **who, where, when** and **how**



Marketing Control

- Measuring and evaluating the results of marketing strategies and plans
- **Operating control** ensures that the company achieves the sales, profits, and other goals set out in its annual plan.
- **Strategic control** involves looking at whether the company's basic strategies are well matched to its opportunities.

Marketing Control (4 Steps)



Measuring and Managing Return on Marketing Investment

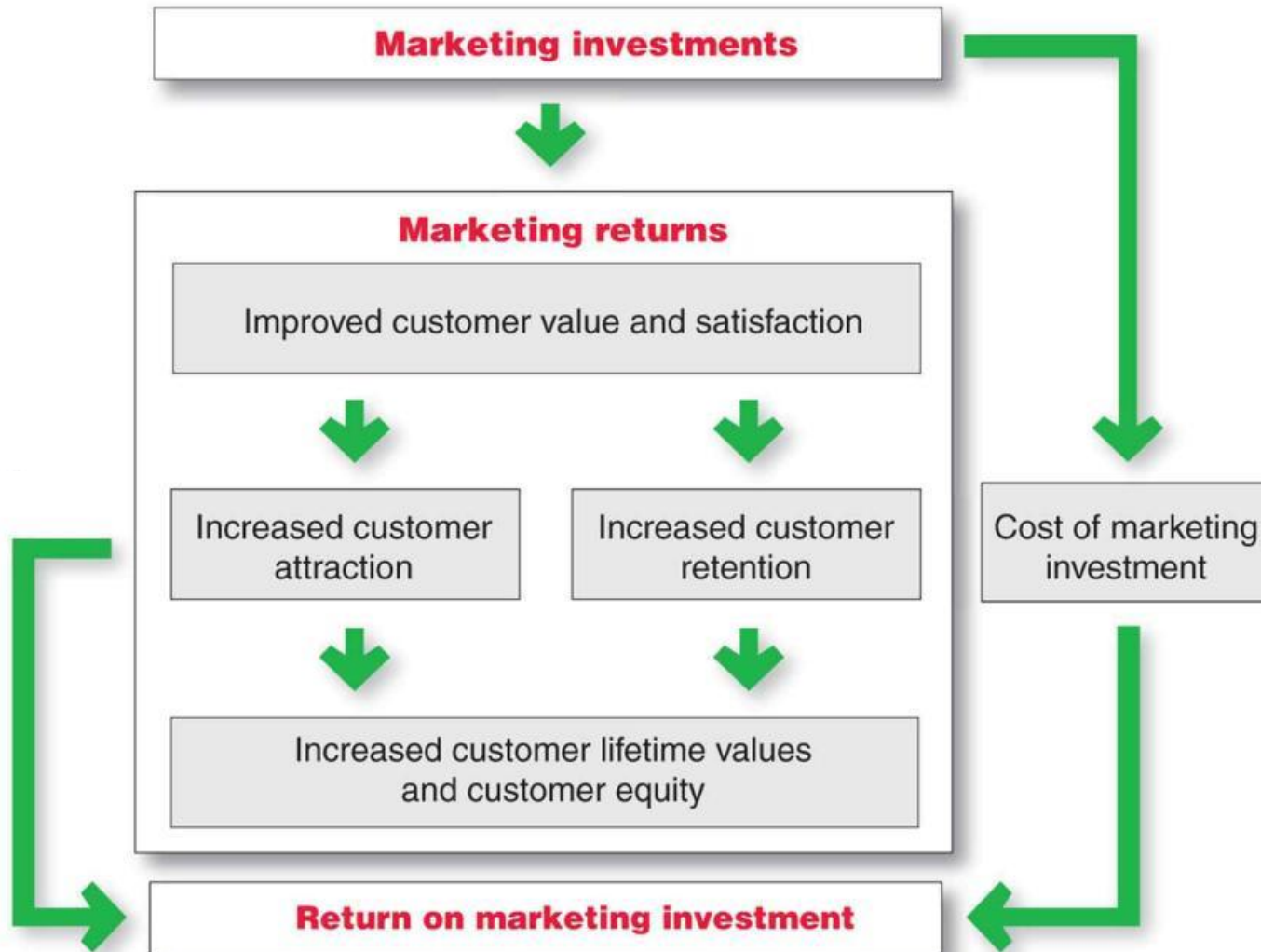
Return on marketing investment (marketing ROI) is the net return from a marketing investment divided by the costs of the marketing investment



MEASURING AND MANAGING RETURN ON MARKETING INVESTMENT

- ✓ Marketing managers must ensure that their marketing dollars are being well spent.
- ✓ Return on marketing investment is assessed using one or more of the following methods:
 - **Standard marketing performance measures** (also called marketing dashboards): Examples include **Brand awareness, sales, market share.**
 - **Customer-centered measures:** Examples include **Customer acquisition, customer retention, customer lifetime value, customer equity.**

Return on Marketing Investment



Marketing Department Organization

Functional
organization

Geographic
organization

Product
management
organization

Market or
customer
organization

Combination
organization

Organizing Marketing Departments

- (1) **Chief Marketing Officer (CMO):** in small companies, one person may perform all the marketing functions. However, *Chief Marketing Officer (CMO)* position is used in large marketing department. Today, this type is becoming more common.
- (2) **Functional organization:** used mainly by big companies
 - ✓ Each marketing activity is headed by a functional specialist.
 - *E.g.*, sales manager, advertising manager, marketing research manager, etc.
- (3) **Geographic organization:**
 - Sales and marketing people are assigned to specific countries, regions, and/or districts.

Organizing Marketing Departments (cont'd)

(4) Product management organization:

- One person is given responsibility for complete strategy and marketing program for a single product.

(5) Market or customer organization:

- A Manager is fully responsible for particular market or type of customer (e.g., government buyers). Often used in companies that sell one product to many different kinds of buers.

(6) Combination organization:

- Uses any combination of the previous approaches.