UNIT 4
STRATEGIC PLANNING PROCESS IN MARKETING

1. DEFINING STRATEGIC MARKET PLANNING

Strategic market planning is the process of creating a long-term roadmap for a business to achieve its marketing goals, aligning them with its overall business objectives. It involves analyzing the market and the competitive landscape to make informed decisions about product development, pricing, promotion, and distribution.

Scope of Strategic Market Planning

The scope of strategic market planning is comprehensive, encompassing all aspects of a business's interaction with its market. It's a holistic process that goes far beyond just creating advertisements. The main components of its scope include:

- **Situational Analysis**: This involves a deep-dive analysis of the company's internal and external environments. A **SWOT analysis** (Strengths, Weaknesses, Opportunities, and Threats) is a common tool used here to assess the company's capabilities and identify market trends, competitor strategies, and customer needs.
- **Defining Goals and Objectives**: The plan sets clear, measurable, achievable, relevant, and time-bound (**SMART**) marketing goals. These goals might include increasing market share, improving brand awareness, or boosting customer retention.
- **Market Segmentation and Targeting**: The plan identifies specific customer groups (**target markets**) to focus on. It involves segmenting the market based on demographics, psychographics, or behaviors and then choosing the most profitable segments to serve.
- **Developing a Marketing Strategy**: This is the core of the plan, where the company defines its **competitive advantage** and outlines its approach to the **marketing mix** (Product, Price, Place, and Promotion). It answers critical questions like: "What value will we offer?" and "How will we communicate this value to our target audience?"
- **Implementation and Control**: The plan outlines the specific actions, timelines, and budgets needed to execute the strategy. It also establishes a system for monitoring performance using **Key Performance Indicators (KPIs)** and making adjustments as needed.

Importance of Strategic Market Planning

Strategic market planning is crucial for a business to thrive in a dynamic and competitive market. Its importance stems from several key benefits:

- **Provides a Clear Direction**: It acts as a roadmap, ensuring that all marketing activities are aligned with the company's overall vision and long-term goals. This prevents a fragmented or inconsistent approach and ensures that every effort is productive.
- **Enhances Competitive Advantage**: By conducting a thorough analysis of competitors and market opportunities, a firm can identify its unique strengths and create a powerful **value proposition** that differentiates it from rivals. This allows the company to stand out and attract its target customers effectively.

- **Optimizes Resource Allocation**: The planning process forces a company to prioritize its efforts and allocate resources (like budget, time, and personnel) to the most impactful activities. This ensures that resources aren't wasted on unproductive campaigns and that the company gets the best possible return on its marketing investment.
- **Promotes Proactive Decision-Making**: Instead of simply reacting to market changes, strategic planning allows a company to anticipate future trends and challenges. This proactive approach enables the firm to prepare for potential threats and capitalize on emerging opportunities.
- **Improves Coordination**: A well-defined plan ensures that all departments—from marketing and sales to product development—are working toward the same goals. This horizontal and vertical alignment within the organization leads to more efficient operations and a cohesive brand message.

2. CORPORATE AND DIVISIONAL STRATEGIC PLANNING

Corporate and divisional strategic planning is a multi-level process that guides a company's growth and resource allocation. It starts at the top with a broad corporate vision and trickles down to specific business units, ensuring all parts of the organization are working together to achieve the same goals.

1. Corporate Mission

The corporate mission defines the company's purpose and direction. It is a guiding statement that clarifies the company's business, its values, and its goals. A well-defined mission statement should be specific, realistic, and motivating. It provides a sense of purpose for employees and helps to guide strategic decisions. For example, a mission statement might focus on customer satisfaction, innovation, or a commitment to a specific market.

2. Establishment of SBUs

A Strategic Business Unit (SBU) is a unit within a large company that operates like a separate business. Each SBU has its own mission, a distinct set of competitors, and a manager responsible for its strategic planning and profitability. Creating SBUs helps a large, diversified company manage its various businesses more effectively by decentralizing decision-making and allowing each unit to focus on its specific market. For example, a large conglomerate might have an SBU for pharmaceuticals, another for textiles, and a third for consumer electronics.

3. Resource Allocation to SBUs

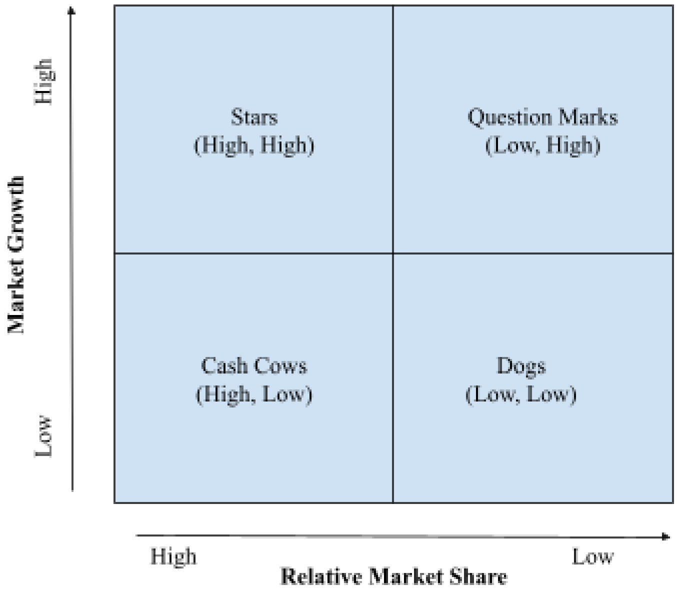
Once SBUs are established, the corporate headquarters must decide how to allocate resources among them. This is a critical process, as not all business units are equally profitable or have the same growth potential. Two popular tools used for this purpose are:

3.1 BCG Competitive Advantage Matrix

The Boston Consulting Group (BCG) matrix is a four-quadrant tool used to classify SBUs based on their market growth rate and relative market share. The four categories are:

- **Stars**: High market share, high growth rate. These units require significant investment to maintain their growth but have the potential to become future "cash cows."
- **Cash Cows**: High market share, low growth rate. These are mature, profitable businesses that generate more cash than they need. The surplus cash can be used to fund other SBUs.
- **Question Marks**: Low market share, high growth rate. These are new ventures with high potential but uncertain future. They require a lot of investment to grow and could become stars or dogs.
- **Dogs**: Low market share, low growth rate. These units are in a mature market with little growth potential and often only generate enough cash to maintain themselves. Companies often decide to divest or liquidate these businesses.

Fig. 4.1 BCG Market Growth/Market Share Matrix



3.2 GE 9-Cell Planning Grid

The GE 9-cell grid (also known as the McKinsey matrix) is a more sophisticated portfolio analysis tool. It plots SBUs based on industry attractiveness and business unit strength. The grid's nine cells offer a more nuanced view of an SBU's position, helping to determine the appropriate strategy: invest/grow, harvest/divest, or hold.

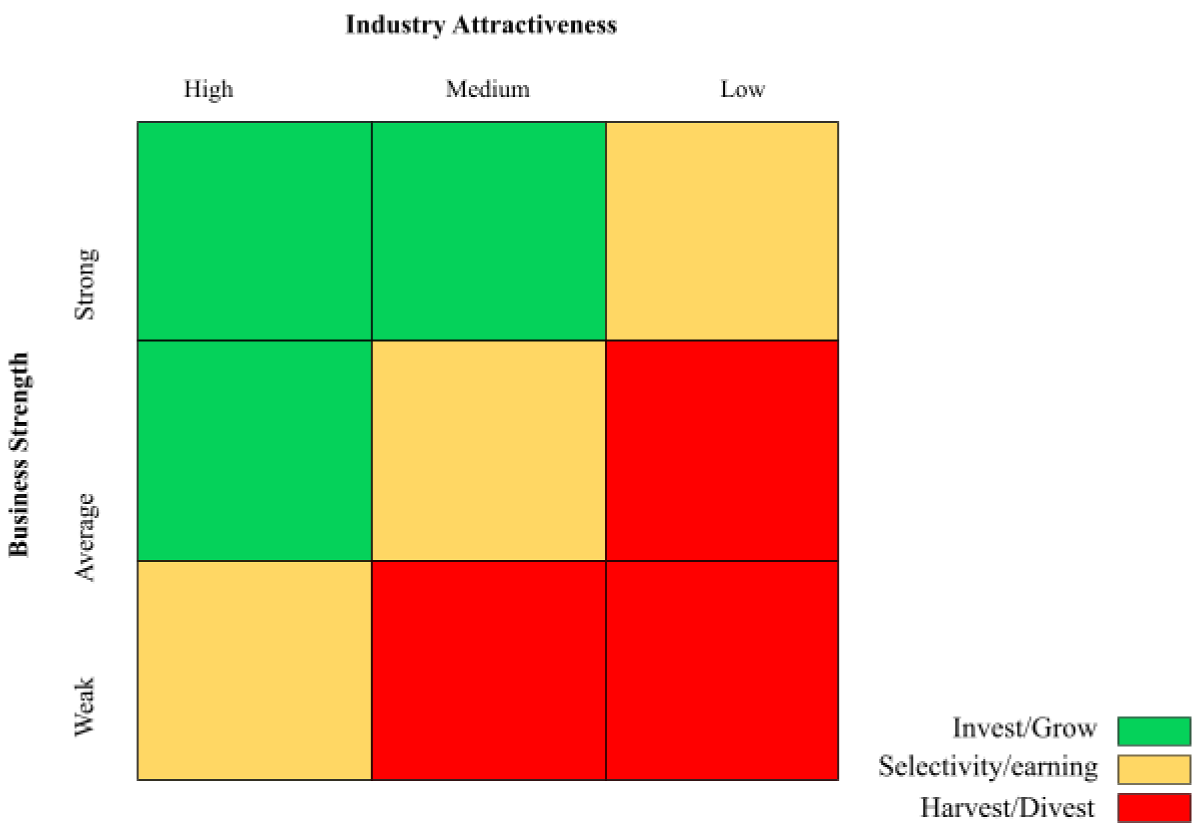
Business Strength

Business Strength is one of the factors considered in the McKinsey matrix. This factor takes into account the following things: Relative market share, profit margins, Ability to compete on price and quality, knowledge of customer and market, competitive strengths and weaknesses, technological capability, caliber of management

Industry Attractiveness

Industry Attractiveness is one of the factors considered in the McKinsey matrix. This factor takes into account the following things: Market size and growth rate, industry profit margins, competitive intensity, seasonality, cyclical, economies of scale, business environment (legal, social, natural, etc.)

Fig. 4.2 General Electric's Nine-Cell Planning Grid



4. Planning New Business and Downsizing Existing Businesses

Companies must have strategies for both growth and for managing underperforming units.

4.1 Intensive Growth

This strategy focuses on growing a company's core business within its current markets. It includes three key approaches:

- **Market Penetration**: Increasing sales of existing products to existing customers.
- **Market Development**: Finding or developing new markets for existing products.
- **Product Development**: Creating new products for existing markets.

4.2 Integrative Growth

This strategy involves building a company's strength within its industry by acquiring or merging with other businesses. There are three types:

- **Backward Integration**: Acquiring a supplier.
- **Forward Integration**: Acquiring a distributor or retailer.
- **Horizontal Integration**: Acquiring a competitor.

4.3 Diversification Growth

This strategy is pursued when opportunities exist outside the company's current business lines.

- **Concentric Diversification**: Entering a new business that has a technological or marketing synergy with the existing one.
- **Horizontal Diversification**: Adding new products that are unrelated to the current ones but might appeal to the same customer base.
- **Conglomerate Diversification**: Entering a new business that is completely unrelated to the current one, often to balance risk or capitalize on new opportunities.

5. Downsizing Older Businesses

Downsizing is the strategic process of eliminating or reducing the size of an older business unit that is no longer profitable or aligned with the company's core mission. This is often done to free up resources for more promising ventures. Strategies for downsizing include:

- **Divestment**: Selling off a business unit.
- **Harvesting**: Reducing investment in a business to maximize its short-term cash flow before eventually exiting the market.
- **Liquidation**: Shutting down the business entirely and selling off its assets.

3. STRATEGIC BUSINESS PLANNING

Strategic business planning is a phased approach to defining and achieving a company's long-term goals. It's a structured process that helps a business align its resources with its mission and adapt to changes in the market.

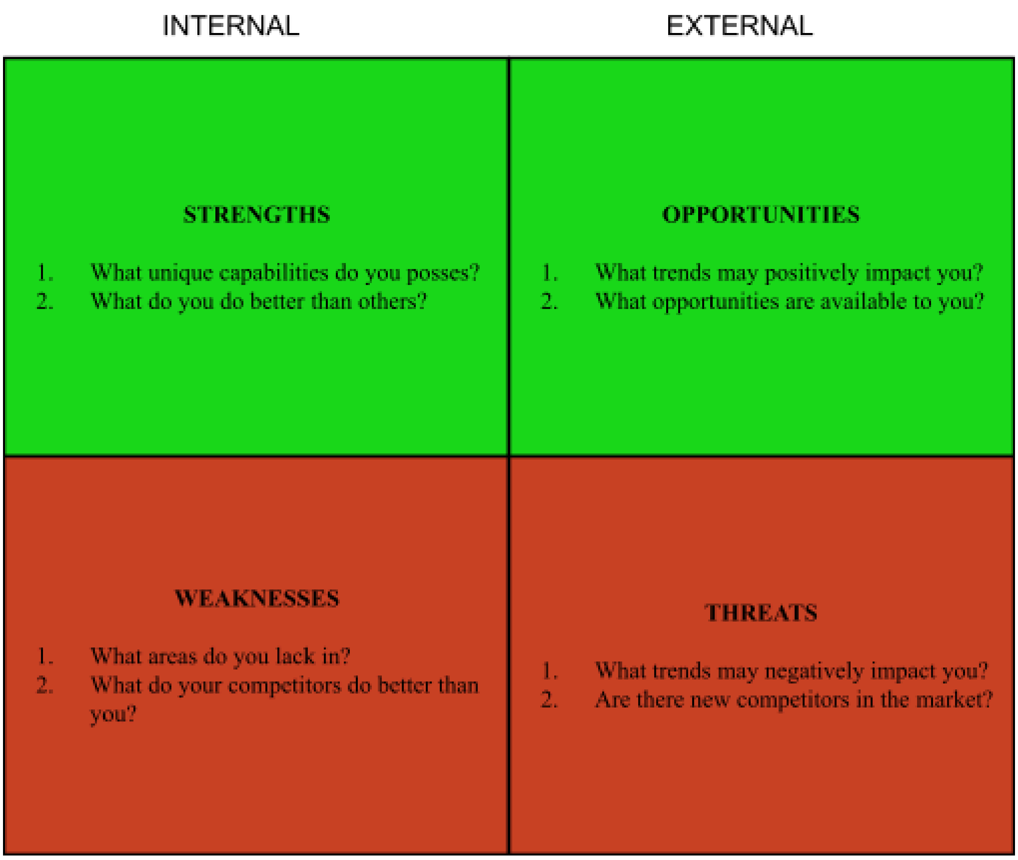
1. Business Mission

The first stage is defining the company's mission statement. This is a concise, high-level statement that clarifies the company's purpose. It outlines what the business does, whom it serves, and what value it provides. A strong mission statement acts as a compass, guiding all subsequent planning and decision-making.

2. SWOT Analysis

A SWOT analysis is a crucial part of the planning process. It is a framework for evaluating the company's position by identifying its Strengths, Weaknesses, Opportunities, and Threats.

- **Internal Analysis**: This looks at the company's internal factors, specifically its strengths (e.g., strong brand reputation, skilled workforce) and weaknesses (e.g., outdated technology, poor distribution network).
- **External Analysis**: This focuses on the external environment, identifying opportunities (e.g., new market trends, favorable government policies) and threats (e.g., new competitors, economic downturns).



3. Strategies

Based on the SWOT analysis, the company formulates its strategies to achieve its mission. This is where the company decides on its overall direction and how it will compete. These strategies typically fall into three levels:

- **Corporate-Level Strategy**: This answers the question, "What business should we be in?" and involves decisions about mergers, acquisitions, or diversification.

- **Business-Level Strategy**: This focuses on how to compete within a specific market. It often involves choosing a competitive advantage, such as being a cost leader (offering the lowest prices) or a differentiator (offering unique, high-quality products).
- **Functional-Level Strategy**: This outlines the plans for each department, such as marketing, finance, and operations, to support the business-level strategy.

4. Strategic Alliances

Strategic alliances are collaborative partnerships between two or more companies to achieve mutually beneficial goals. They are an effective way to enter new markets, share resources, reduce risk, and gain a competitive edge without a full merger. Types of alliances include:

- **Joint Ventures**: Two companies create a new, separate business entity.
- **Equity Strategic Alliances**: One company buys a stake in another.
- **Non-Equity Strategic Alliances**: Companies collaborate through a contractual agreement without any ownership changes.

5. Implementation

Implementation is the process of putting the strategic plan into action. This stage translates the broad strategies into specific, actionable steps. It involves aligning organizational structure, allocating resources, and assigning responsibilities to ensure the plan is executed effectively. Without proper implementation, even the best-laid plans will fail.

6. Feedback and Control

The final stage involves monitoring the execution of the plan and measuring its results. This ensures the company stays on track to achieve its objectives. It includes:

- **Performance Measurement**: Using Key Performance Indicators (KPIs) to track progress and success.
- **Corrective Actions**: Making adjustments to the plan or its implementation based on the feedback received.
- **Continuous Review**: Regularly reviewing the entire strategic plan to ensure it remains relevant in a changing business environment.

4. MARKETING PROCESS

The marketing process is a series of steps that a company follows to understand customer needs, create and deliver value, and build strong customer relationships. It is a systematic approach to turning marketing strategy into action.

1. Value Delivery Sequence

The value delivery sequence is a modern approach to marketing that emphasizes delivering a superior customer experience. It contrasts with the traditional view of a firm simply making and selling products. This sequence consists of three main phases:

- **Choosing the Value**: This is the strategic planning phase, where the firm performs **market research**, segments the market, targets specific segments, and positions its offering. It answers the question, "What value will we offer to which customers?"
- **Providing the Value**: This phase involves the physical creation and delivery of the product or service. It's about developing specific product features, setting prices, sourcing materials, and distributing the product to the target market.
- **Communicating the Value**: This phase involves marketing communications to inform and persuade the target market about the product's value. This includes advertising, sales promotions, public relations, and other forms of promotion.

2. Steps in the Planning Process

The marketing process is a continuous loop of planning, implementing, and controlling.

2.1. Analyzing Marketing Opportunities

The first step is to scan the environment to identify potential markets and customer needs. This is typically done through a Market Opportunity Analysis (MOA) which involves:

- **Analyzing the Macro-environment**: Looking at broad forces like demographics, economic trends, and technology.
- **Conducting a SWOT Analysis**: Identifying the company's internal **Strengths** and **Weaknesses** and external **Opportunities** and **Threats**.
- **Market Research**: Gathering data on consumer behavior, competitor strategies, and industry trends to find an unmet need or an underserved market segment.

2.2. Developing Marketing Strategies

After identifying opportunities, a company must decide which ones to pursue and how. This involves designing a customer-driven marketing strategy based on three key components:

- **Market Segmentation**: Dividing the market into distinct groups of buyers with different needs and characteristics.
- **Market Targeting**: Selecting one or more market segments to serve.
- **Market Positioning**: Creating a clear, distinct, and desirable place for the product in the minds of the target consumers relative to competing products.

2.3. Planning Marketing Programs

This step translates the broad marketing strategy into a detailed plan of action using the marketing mix, also known as the 4 Ps:

- **Product**: Deciding on the product's features, quality, branding, and packaging.

- **Price**: Setting the price, considering factors like costs, competition, and customer perception of value.
- **Place**: Planning the distribution channels and logistics to make the product available to the target market.
- **Promotion**: Developing and implementing promotional activities like advertising, sales promotions, and personal selling to communicate the product's value.

2.4. Managing the Marketing Effort

The final step is to put the plan into action and manage it effectively. This phase consists of:

- **Implementation**: Assigning responsibilities, timelines, and budgets to execute the planned marketing activities.
- **Control**: Measuring the results of marketing efforts and evaluating them against the planned goals.
- **Feedback**: Gathering feedback from customers and the market to learn from past performance and make necessary adjustments to future strategies. This feedback loop ensures the marketing process is constantly adapting and improving.

5. MARKETING PLAN

A marketing plan is a detailed, documented roadmap that outlines the marketing activities of a business over a specific period. It is essential for guiding marketing efforts, ensuring all activities are aligned with business objectives, and providing a framework for measuring success. A typical marketing plan includes the following key sections:

1. Executive Summary

This is a concise overview of the entire marketing plan, written for senior management. It should be compelling and highlight the plan's main goals, strategies, and expected outcomes. The summary should capture the reader's attention and provide a quick understanding of the plan's purpose without requiring them to read the entire document.

2. Opportunity and Issue Analysis

This section provides an in-depth look at the business's current situation. It serves as the foundation for all subsequent marketing decisions.

- **SWOT Analysis:** A critical component of this section is a SWOT analysis, which assesses the company's internal Strengths (S) and Weaknesses (W), and external Opportunities (O) and Threats (T). This analysis helps to identify key challenges and areas for growth.
- **Market Analysis:** This involves a detailed look at the target market, including its size, trends, and growth potential.

- **Competitor Analysis:** An evaluation of key competitors, their strategies, strengths, and weaknesses.

3. Marketing Strategies

This section outlines the strategic approach the business will take to achieve its marketing objectives. It is a high-level overview of the plan's direction.

- **Mission and Objectives:** A clear statement of the business's marketing mission and a list of specific, measurable, achievable, relevant, and time-bound (SMART) objectives.
- **Target Market:** A detailed description of the ideal customer, including demographics, psychographics, and behavior.
- **Positioning and Differentiation:** A statement of how the company intends to position its brand to stand out from the competition and provide unique value to the target market.

4. Action Programs (The Marketing Mix)

This is where the marketing strategy is translated into concrete, actionable steps. It details the implementation of the 4 Ps of marketing.

- **Product:** Plans for product development, features, branding, and packaging.
- **Price:** Pricing strategies, including how prices are set and adjusted.
- **Place (Distribution):** Strategies for making the product available to the target market through various channels.
- **Promotion:** The specific communication tactics to be used, such as advertising campaigns, social media marketing, public relations, and sales promotions.

5. Projected Profit and Loss Statement

This section provides a financial forecast of the marketing plan's expected results. It demonstrates the profitability of the proposed actions.

- **Sales Forecast:** A projection of future sales revenue.
- **Expense Budget:** A detailed breakdown of all marketing expenses, including advertising, salaries, and research costs.
- **Profit and Loss Forecast:** A statement showing the expected revenue, expenses, and net profit or loss resulting from the plan.

6. Controls

This section explains how the plan's progress will be monitored and adjusted.

- **Performance Metrics:** Key performance indicators (KPIs) are identified to track the plan's success, such as sales figures, website traffic, and customer acquisition costs.
- **Monitoring and Feedback:** A schedule for how often results will be reviewed (e.g., monthly, quarterly).
- **Contingency Planning:** Outlines alternative actions to be taken if the plan's performance falls short of expectations.