# Marketing Management

## Chapter 2 : Developing Marketing Strategies and Plans

# Developing Marketing Strategies and Plans

Content List:

i. Marketing and Customer Value
ii. Corporate and Division Strategic Planning
iii. Business Unit Strategic Planning
iv. The Nature and Contents of a Marketing Plan

# Marketing and Customer Value

- The task of any business is to deliver customer value at a profit.
- A company can win only by fine-tuning the value delivery process and choosing, providing, and communicating superior value to increasingly well-informed buyers.

# The Value Delivery Process

- A new view of business processes that places marketing at the beginning of planning. Instead of emphasizing making and selling, companies now see themselves as part of a value delivery process.
- We can divide the value creation and delivery sequence into three phases.
  1. Choosing the value
  2. Providing the value.
  3. Communicating the value

## i. Choosing the value

They must segment the market, select the appropriate target, and develop the offering's value positioning. The formula "segmentation, targeting, positioning (STP)" is the essence of strategic marketing.

## ii. Providing the value.

Marketing must identify specific product features, prices, and distribution

## iii. Communicating the value

By utilizing the Internet, advertising, sales force, and any other communication tools to announce and promote the product

# The Value Chain

- Harvard's Michael Porter has proposed the **value chain** as a tool for identifying ways to create more customer value.
- According to this model, every firm is a synthesis of activities performed to design, produce, market, deliver, and support its product.
- Nine strategically relevant activities; five primary and four support activities,

create value and cost in a specific business

# NINE STRATEGICAL ACTIVITIES

- The primary activities are

(1) inbound logistics, or bringing materials into the business;

(2) operations, or converting materials into final products;

(3) outbound logistics, or shipping out final products;

(4) marketing, which includes sales; and

(5) Service.

- The support activities are

(1) procurement,

(2) technology development,

(3) human resource management,

(4) firm infrastructure.

# CORE BUSINESS PROCESSES:

The firm's success also depends on how well the company coordinates departmental activities to conduct **core business processes**. These processes include:

- **The market-sensing process**—gathering and acting upon information about the market.
- **The new-offering realization process**—researching, developing, and launching new high-quality offerings quickly and within budget .
- **The customer acquisition process**—defining target markets and prospecting for new customers.
- **The customer relationship management process**—building deeper understanding, relationships, and offerings to individual customers .
- **The fulfillment management process**—receiving and approving orders, shipping goods on time, and collecting payment.

# Core Competencies

- Core Competencies are the resources and capabilities that comprise the strategic advantages of a business.
- A core competency has three characteristics:

(1) It is a source of competitive advantage and makes a significant contribution to perceived customer benefits.

(2) It has applications in a wide variety of markets.

(3) It is difficult for competitors to imitate.

# Core Competencies

✓ Businesses may need to realign themselves to maximize core competencies.

Realignment has three steps:

i. (re)defining the business concept or "big idea".

ii. (re)shaping the business scope, sometimes geographically.

iii. (re)positioning the company's brand identity. Peabody Energy implemented a new global organizational structure

# The Central Role of Strategic Planning

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy.

# The Central Role of Strategic Planning

- Marketers must prioritize strategic planning in three key areas:

a. Managing the businesses as an investment portfolio.
b. Assessing the market's growth rate and the company's position in that market.
c. Establishing a strategy. The company must develop a game plan for achieving each business's long-run objectives.

- Most large companies consist of four organizational levels:

1. **Corporate:**
   Corporate headquarters is responsible for designing a corporate strategic plan to guide the whole enterprise
2. **Division:**
   Each division establishes a plan covering the allocation of funds to each business unit within the division
3. **Business unit:**
   Each business unit develops a strategic plan to carry that business unit into a profitable future.
4. **Product:**
   Product level (product line, brand) develops a marketing plan for achieving its objectives.

# MARKETING PLAN

- The **marketing plan** is the central instrument for directing and coordinating the marketing effort.

➢ It operates at two levels: strategic and tactical.

- The **strategic marketing** plan lays out the target markets and the firm's value proposition, based on an analysis of the best market opportunities.
- The **tactical marketing** plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service.

# Corporate and Division Strategic Planning

- All corporate headquarters undertake four planning activities:

i. Defining the corporate mission

ii. Establishing strategic business units

iii. Assigning resources to each strategic business unit

iv. Assessing growth opportunities

# Defining the Corporate Mission

- An organization exists to accomplish something and over time, the mission may change to respond to new opportunities or market conditions.
  - **<u>Business Definition</u>**:

    Companies often define themselves in terms of products, " Market definitions of a business, however, describe the business as a customer satisfying process.
  - **<u>Crafting a Mission Statement:</u>**

    A clear, thoughtful mission statement, developed collaboratively with and shared with managers, employees, and often customers, provides a shared sense of purpose, direction, and opportunity.

Good mission statements have five major characteristics.

1. They focus on a limited number of goals
2. They stress the company's major policies and values.
3. They define the major competitive spheres within which the company will operate.
4. They take a long-term view.
5. They are as short, memorable, and meaningful as possible.

**Establishing Strategic Business Units:**

Large companies normally manage quite different businesses, each requiring its own strategy. The purpose of identifying the company's strategic business units is to develop separate strategies and assign appropriate funding.

An SBU has three characteristics:

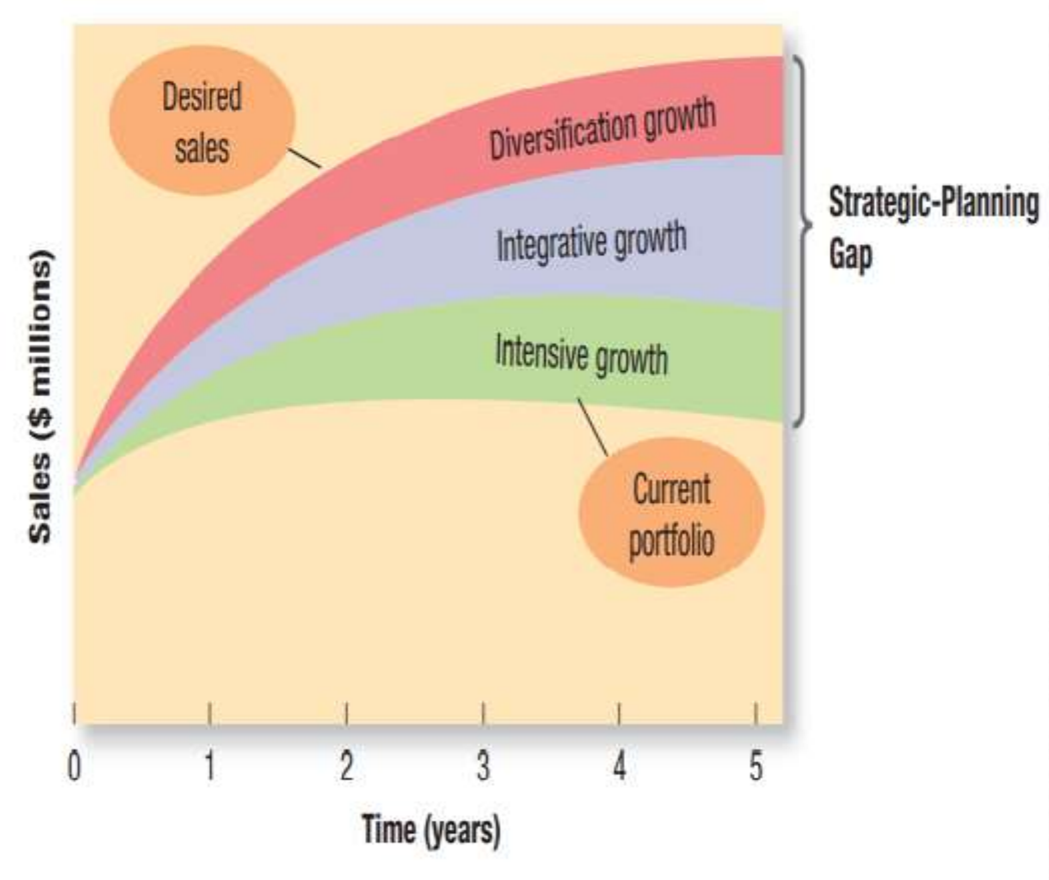
1. It is a single business, or a collection of related businesses, that can be planned separately from the rest of the company.
2. It has its own set of competitors.
3. It has a manager responsible for strategic planning and profit performance, who controls most of the factors affecting profit.

**Assigning Resources to Each SBU:**

Once it has defined SBUs, management must decide how to allocate corporate resources to each.

## Assessing Growth Opportunities:

Assessing growth opportunities includes planning new businesses, downsizing, and terminating older businesses. If there is a gap between future desired sales and projected sales, corporate management will need to develop or acquire new businesses to fill it.



# Assessing Growth Opportunities:

- **Intensive Growth:** Corporate management should first review opportunities for improving existing businesses.
- **Integrative Growth:** A business can increase sales and profits through backward, forward, or horizontal integration within its industry.
- **Diversification Growth:** Diversification growth makes sense when good opportunities exist outside the present businesses—the industry is highly attractive and the company has the right mix of business strengths to succeed.

# Organization and Organizational Culture:

Strategic planning happens within the context of the organization.

A company's **organization** consists of its structures, policies, and corporate culture, all of which can become dysfunctional in a rapidly changing business environment

**Corporate culture:**

Define as "the shared experiences, stories, beliefs, and norms that characterize an organization."

- Adapting the culture is often the key to successfully implementing a new strategy.

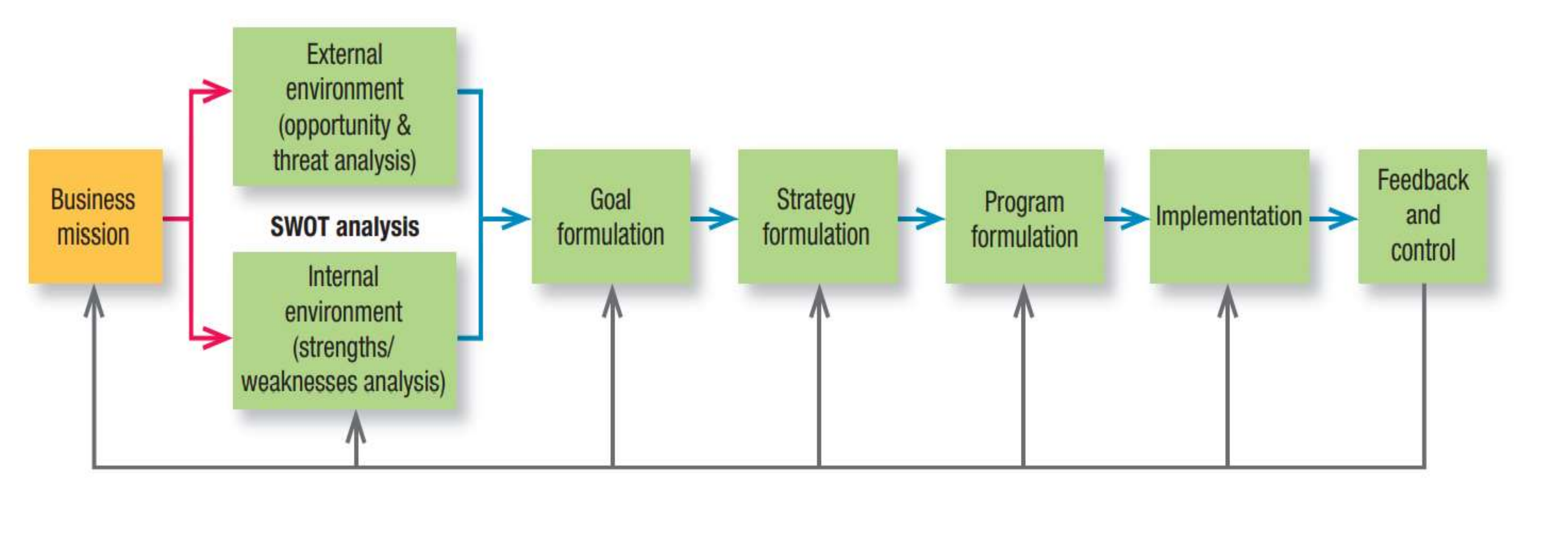
## Marketing Innovation:

Innovation in marketing is critical. Imaginative ideas on strategy exist in many places within a company.

Senior management should identify and encourage fresh ideas from **three** generally underrepresented **groups**:

i. Employees with youthful or diverse perspectives,
ii. Employees far removed from company headquarters,
iii. Employees new to the industry.

# Business Unit Strategic Planning



# The Business Mission

- Each business unit needs to define its specific mission within the broader company mission.
- The mission does not mention winning business, offering the lowest price, or venture.
- **Eaxmple**:

A television studio-lighting-equipment company might define its mission as "To target major television studios and become their vendor of choice for lighting technologies that represent the most advanced and reliable studio lighting arrangements."

# SWOT Analysis

- The overall evaluation of a company's strengths, weaknesses, opportunities, and threats is called **SWOT analysis**.

An environmental threat is a challenge posed by an unfavorable trend or development that, in the absence of defensive marketing action, would lead to lower sales or profit.

External Environment (Opportunity and Threat) Analysis.

Internal Environment (Strengths and Weaknesses) Analysis.

## External Environment (Opportunity and Threat) Analysis:

A marketing opportunity is an area of buyer need and interest that a company has a high probability of profitably satisfying.

There are three main sources of market opportunities.

i. The first is to offer something that is in short supply.
ii. The second is to supply an existing product or service in a new or superior way.
iii. The third is to a totally new product or service.

## Internal Environment (Strengths and Weaknesses) Analysis:

It's one thing to find attractive opportunities and another to be able to take advantage of them. Each business needs to evaluate its internal strengths and weaknesses

# Goal Formulation

- Once the company has performed a SWOT analysis, it can proceed to goal formulation, developing specific goals for the planning period. Goals are objectives that are specific with respect to magnitude and time.

The unit's objectives must meet four criteria:

1. They must be arranged hierarchically, from most to least important.
2. Objectives should be quantitative whenever possible.
3. Goals should be realistic.
4. Objectives must be consistent.

# Strategic Formulation

Every business must design a strategy for achieving its goals, consisting of a marketing strategy and a compatible technology strategy and sourcing strategy.

Three generic strategies that provide a good starting point for strategic thinking:

- **Overall cost leadership**: Firms work to achieve the lowest production and distribution costs so they can underprice competitors and win market share
- **Differentiation**: The business concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market.
- **Focus:** The business focuses on one or more narrow market segments, gets to know them intimately, and pursues either cost leadership or differentiation within the target segment

# Strategic Alliances

- Even giant companies often cannot achieve leadership, either nationally or globally, without forming alliances with domestic or multinational companies that complement their capabilities and resources.
- Many strategic partnerships take the form of marketing alliances.

# Strategic Alliances

These fall into four major categories.

- **Product or service alliances**: One company licenses another to produce its product, or two companies jointly market their complementary products or a new product.
- **Promotional alliances**: One company agrees to carry a promotion for another company's product or service.
- **Logistics alliances**: One company offers logistical services for another company's product.
- **Pricing collaborations:** One or more companies join in a special pricing collaboration.

## Program Formulation and Implementation:

Even a great marketing strategy can be sabotaged by poor implementation.
Once they have formulated marketing programs, marketers must estimate their costs.

## Feedback and Control:

- A company’s strategic fit with the environment will inevitably erode because the market environment changes faster than the company’s seven Ss.
- Once an organization fails to respond to a changed environment, it becomes increasingly hard to recapture its lost position.
- The key to organizational health is willingness to examine the changing environment and adopt new goals and behaviors.

# The Nature and Contents of a Marketing Plan

- A marketing plan is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to reach its marketing objectives.
- It contains tactical guidelines for the marketing programs and financial allocations over the planning period.

➢ A marketing plan usually contains the following sections.

**Situation analysis**: This section presents relevant background data on sales, costs, the market, competitors, and the macroenvironment. How do we define the market, how big is it, and how fast is it growing?

**Marketing strategy**: The marketing manager defines the mission, marketing and financial objectives,  and needs the market offering is intended to satisfy as well as its competitive positioning.

**Marketing tactics**: The marketing manager outlines the marketing activities that will be undertaken to execute the marketing strategy.

**Financial projections**: Financial projections include a sales forecast, an expense forecast, and a break-even analysis.

**Implementation controls**: The last section outlines the controls for monitoring and adjusting implementation of  the plan.

# The Role of Research

- Marketing research helps marketers learn more about their customers' requirements, expectations, perceptions, satisfaction, and loyalty.
- Thus, the marketing plan should outline what marketing research will be conducted and when, as well as how the findings will be applied.

# The Role of Relationships

The marketing plan shows how the company will establish and maintain profitable customer relationships. It also affects both internal and external relationships

- It influences each other and with other departments to deliver value and satisfy customers.
- It affects how the company works with suppliers, distributors, and partners to achieve the plan's objectives.
- It influences the company's dealings with other stakeholders, including government regulators, the media, and the community at large

# From Marketing Plan to Marketing Action

- The marketing plan typically outlines budgets, schedules, and marketing metrics for monitoring and evaluating results.
  - With budgets, marketers can compare planned and actual expenditures for a given period.
  - Schedules show when tasks were supposed to be completed and when they actually were.
  - Marketing metrics track actual outcomes of marketing programs to see whether the company is moving forward toward its objectives.