

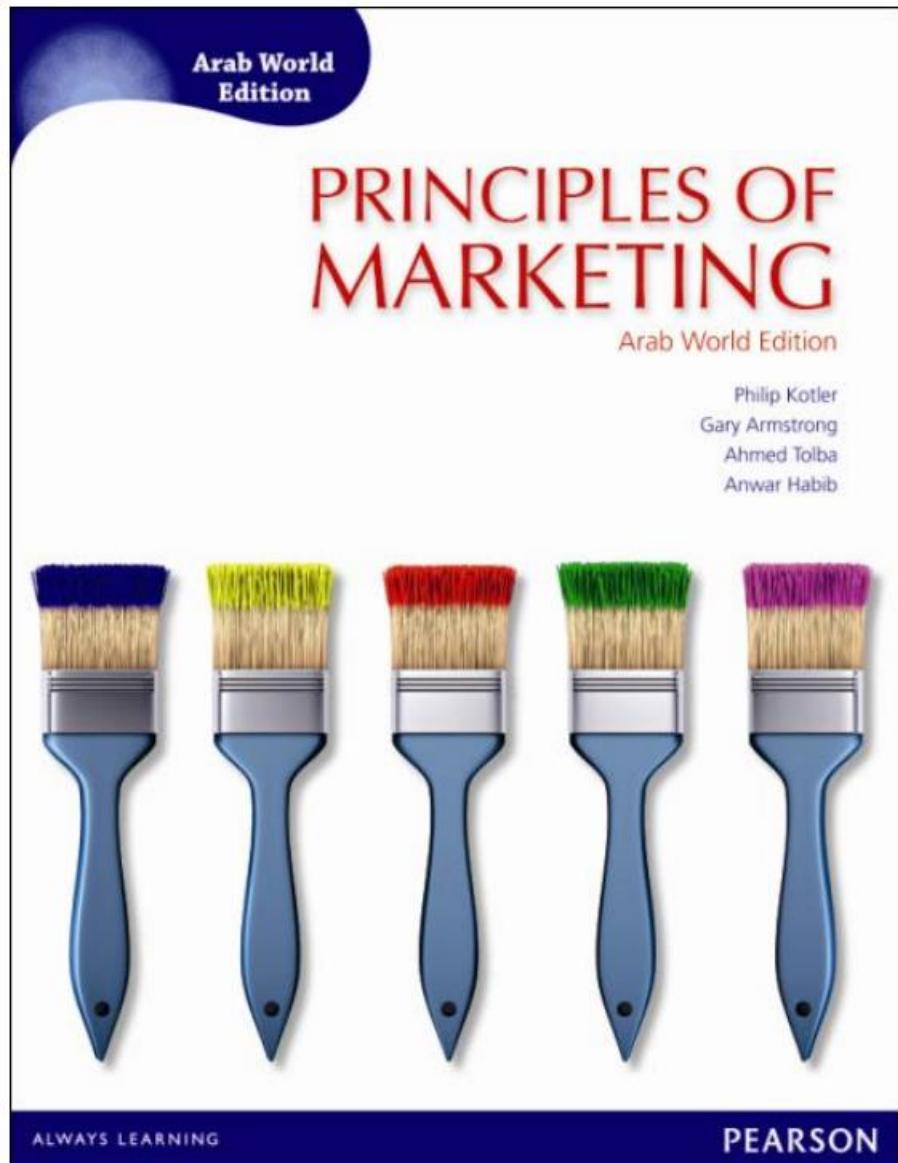
MARKETING MANAGEMENT

Lecture 2 - Chapter 2

Winter Semester 2022/2023

Course Lecturer:

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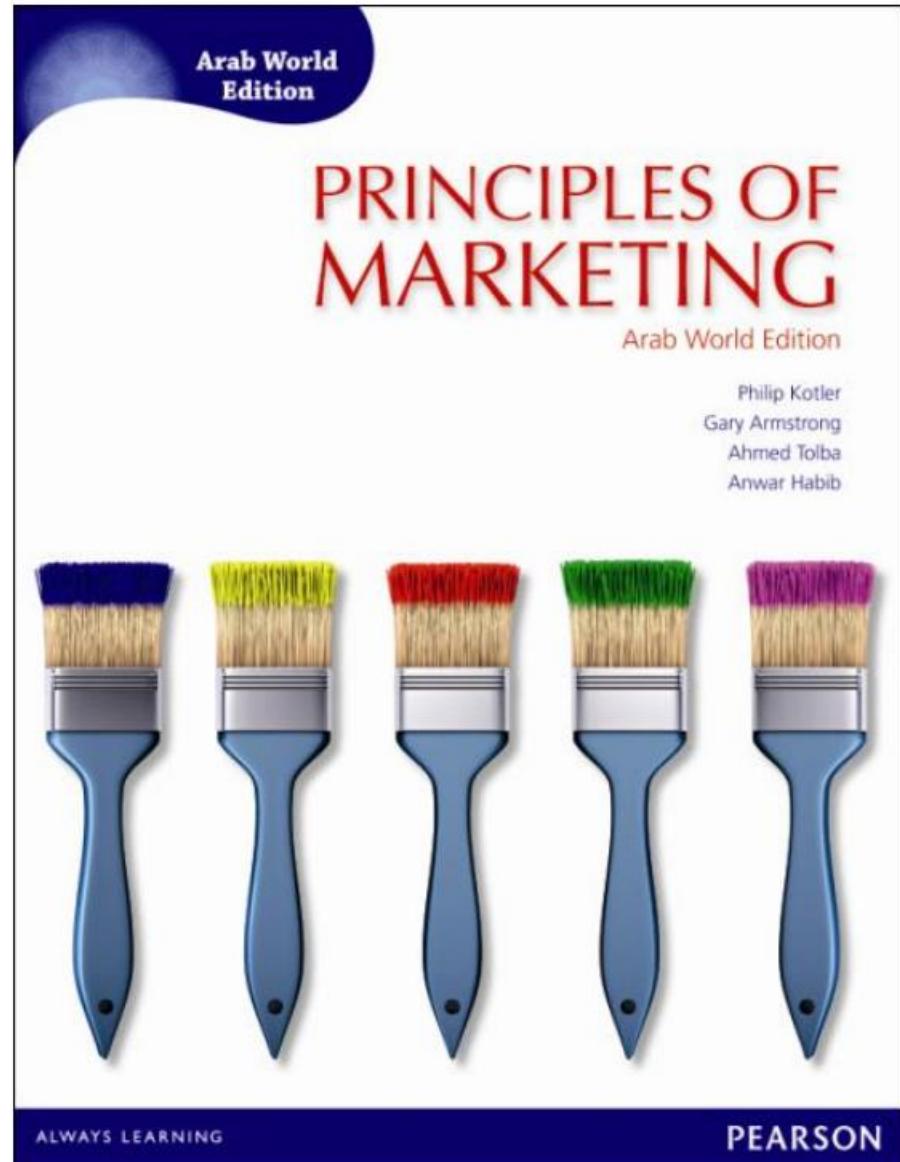
Chapter 2:

Company and

Marketing

Strategy

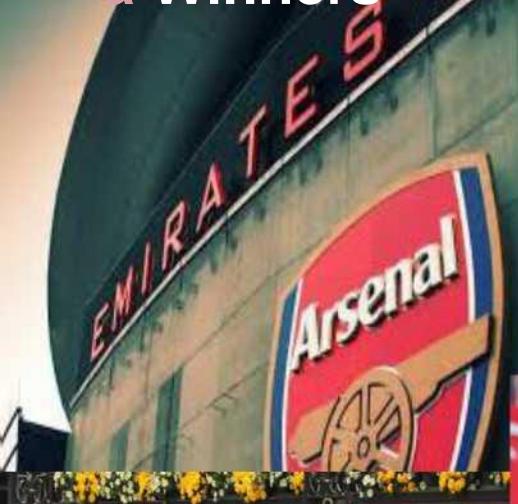
Partnering to Build
Customer Engagement,
Value, and Relationships



Guess the Company

X is sponsor of:

- British Formula 1 team in 2006
- Dubai World Cup in horse racing 2015
- Primary shirt sponsor for Arsenal in 2005-2006
- Primary shirt sponsor for AC Milan in 2010-2011
- Primary shirt sponsor for Real Madrid in 2013-2014
- Primary shirt sponsor for Egyptian soccer team Al Ahly US\$22.6 million in 2011
- Sponsor of Rugby League team, the Warrington Wolves and the Lions



Emirates Airline sees
sponsorship as vital to
its marketing strategy



Company-Wide Strategic Planning

Strategic Planning

Strategic planning is the process of developing and maintaining a **strategic fit** between the organization's goals and **capabilities**, and its changing marketing opportunities.

Company-Wide Strategic Planning

Steps in Strategic Planning

FIGURE | 2.1
Steps in Strategic Planning



Company-Wide Strategic Planning

Defining a Market-Oriented Mission

- The **mission statement** is the organization's purpose; what it wants to accomplish in the **larger environment**.
- Answers to the following questions:
 - **What is our business?**
 - Who is the **customer**?
 - What do consumers **value**?
 - What should our business **be**?

Company-Wide Strategic Planning

Product-Oriented vs. Market-Oriented Mission

Mission statements should be *market oriented*

Company	Product-Oriented Definition	Market-Oriented Definition
eBay	We hold online auctions	We connect individual buyers and sellers in the world's online marketplace, a unique Web community in which they can shop around, have fun, and get to know each other
Wal-Mart	We run discount stores	We deliver low prices everyday and give ordinary folks the chance to buy the same things as rich people
Disney	We run theme parks	We create fantasies — a place where dreams come true and America still works the way it's supposed to.

Company-Wide Strategic Planning

EXAMPLES: Market-Oriented Mission



To inspire and **nurture** the human spirit — one person, one cup and one neighborhood at a time



To be the most customer-centric company in the world, where people can find and discover anything they **want to buy online**



To be the world's premier consumer products company focused on convenient foods and beverages



To organize the world's information and make it **universally accessible and useful**

Companywide Strategic Planning

Setting Company Objectives and Goals

- The company needs to turn its mission statement into detailed supporting objectives for each level of management.



Designing the Business Portfolio

Defining Business Portfolio and Portfolio Analysis

The business portfolio is the collection of businesses and products that make up the company.

Portfolio analysis is a major activity in strategic planning whereby **management** evaluates the products and businesses that make up the company.

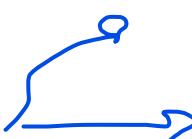
Designing the Business Portfolio

Defining SBUs

Strategic business units (SBUs)

can be a

- Company division
- Product line within a division
- Single product or brand



CBS and PD
Customer business solutions

Procurement division

Designing the Business Portfolio

Analyzing the Current Business Portfolio

Identify strategic business units
(SBUs)



Assess the attractiveness of the
various SBUs



Decide how much support each
SBU deserves

market size: the total value of sales for certain product

Designing the Business Portfolio

Analyzing the Current Business Portfolio

as the market size increases it is better for you because it is easier to get piece of it for your product.

The Boston Consulting Group (BCG) Approach / Growth-share matrix is a portfolio-planning method that evaluates a company's SBUs in terms of *market growth rate* and *relative market share*.

market share itself = total market size/ your share

market growth rate:
it indicates what is happening to your market size overtime
so you have to define certain period to evaluate this over it.

Designing the Business Portfolio

Analyzing the Current Business Portfolio: The Boston Consulting Group (BCG) Approach

Question Marks show high growth but command low market share and are located in the upper right quadrant. Usually found in a high-growth industry, question marks require significant investment to maintain or increase market share. They're usually recently introduced products with sound commercial prospects. With sufficient investment, they have the potential to become stars. If neglected, they may become dogs.

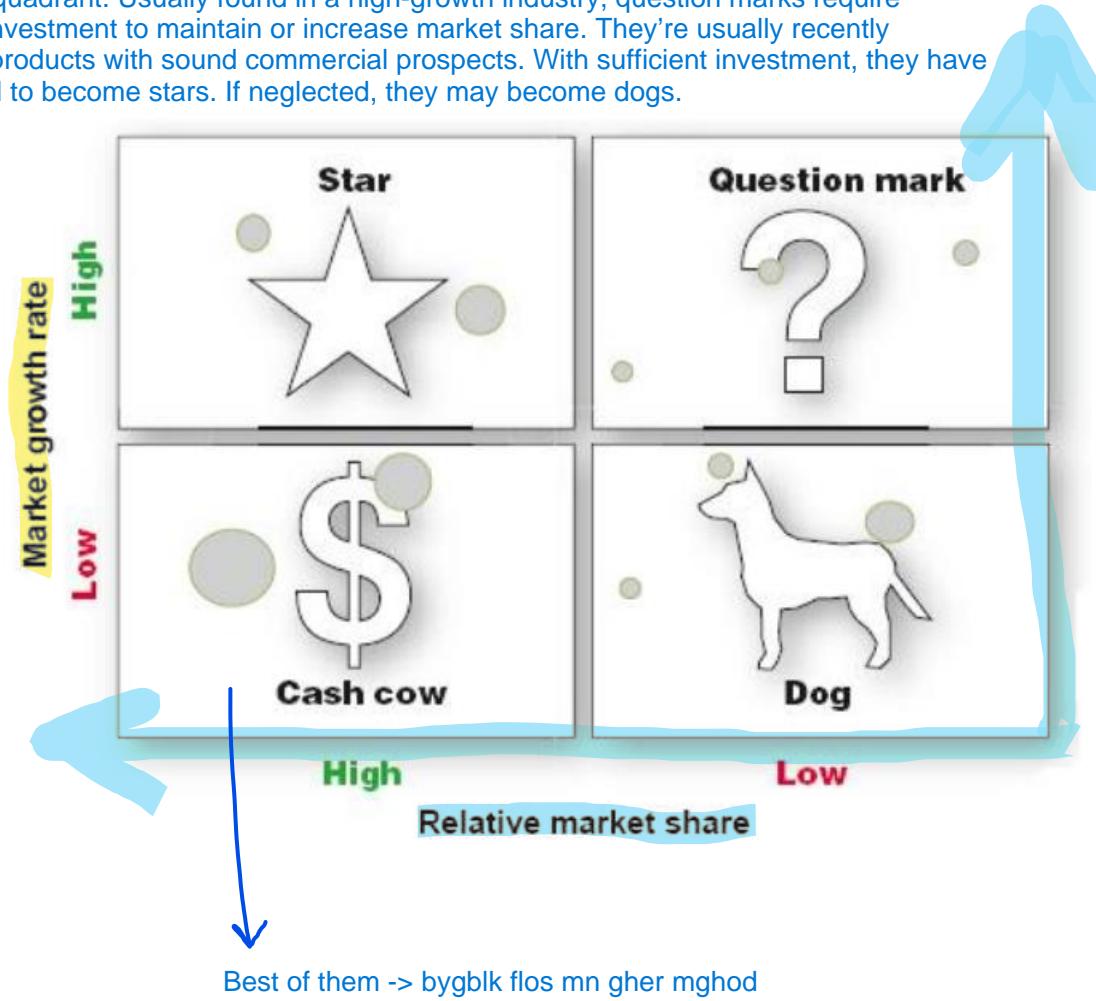
FIGURE | 2.2

The BCG Growth-Share Matrix

Stars exhibit high growth and command high market share. Stars are found in the upper left quadrant of the matrix. A company should invest more in stars, as they are well-established products or brands in high-growth markets. They generate significant income and account for a significant percentage of the market share. Stars tend to generate greater ROI than inhabitants of the other three quadrants.

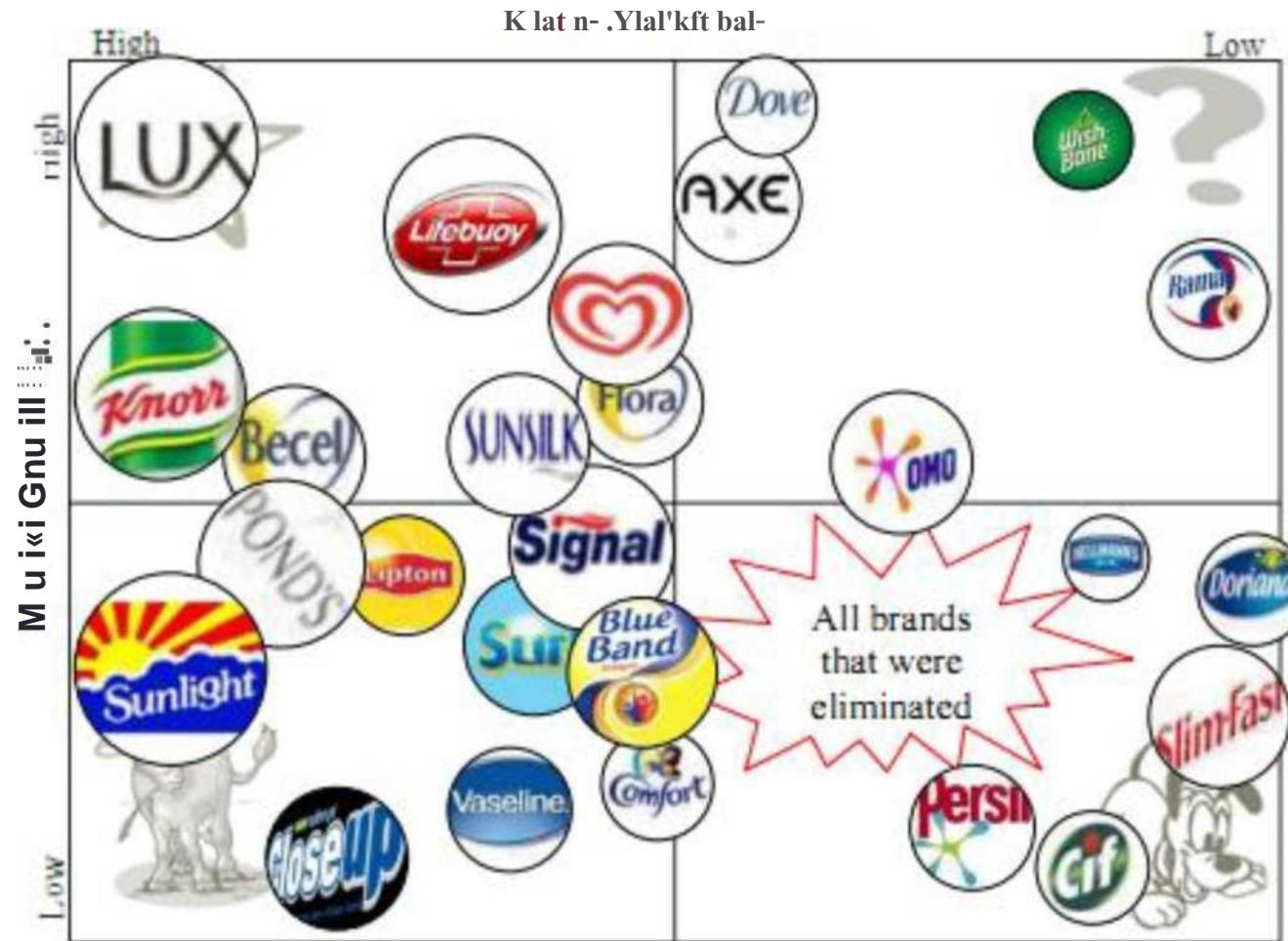
Cash Cows exhibit low growth but command high market share. They are found in the lower-left portion of the quadrant, and these products/brands typically command a relatively large market share in a mature and slow-growth industry.

Cash cows require little investment and are typically leading, well-established products in mature markets. The cash these products generate can be invested elsewhere, so a company is wise to milk the cash cow as long as possible. Returns on cash cows usually exceed the market growth rate and generate self-sustaining cash flow.



Designing the Business Portfolio

EXAMPLE: Unilever- The Boston Consulting Group (BCG) Approach



Designing the Business Portfolio

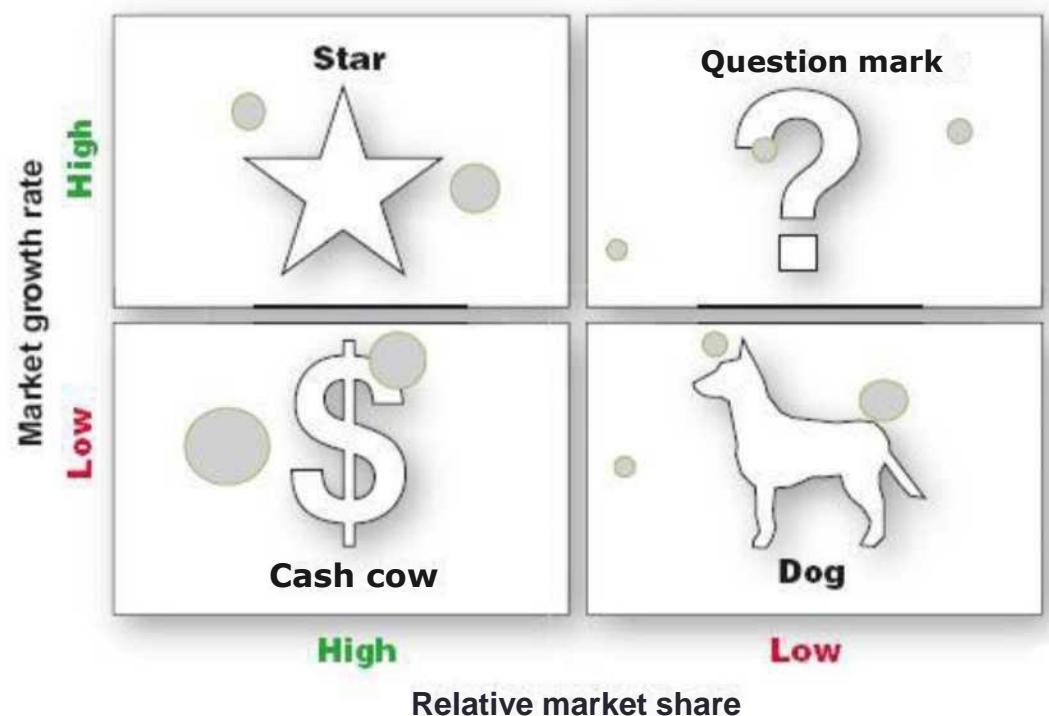
EXAMPLE: Coca Cola - The Boston Consulting Group (BCG) Approach

Rate these Coca Cola products in the BCG Matrix

FIGURE | 2.2

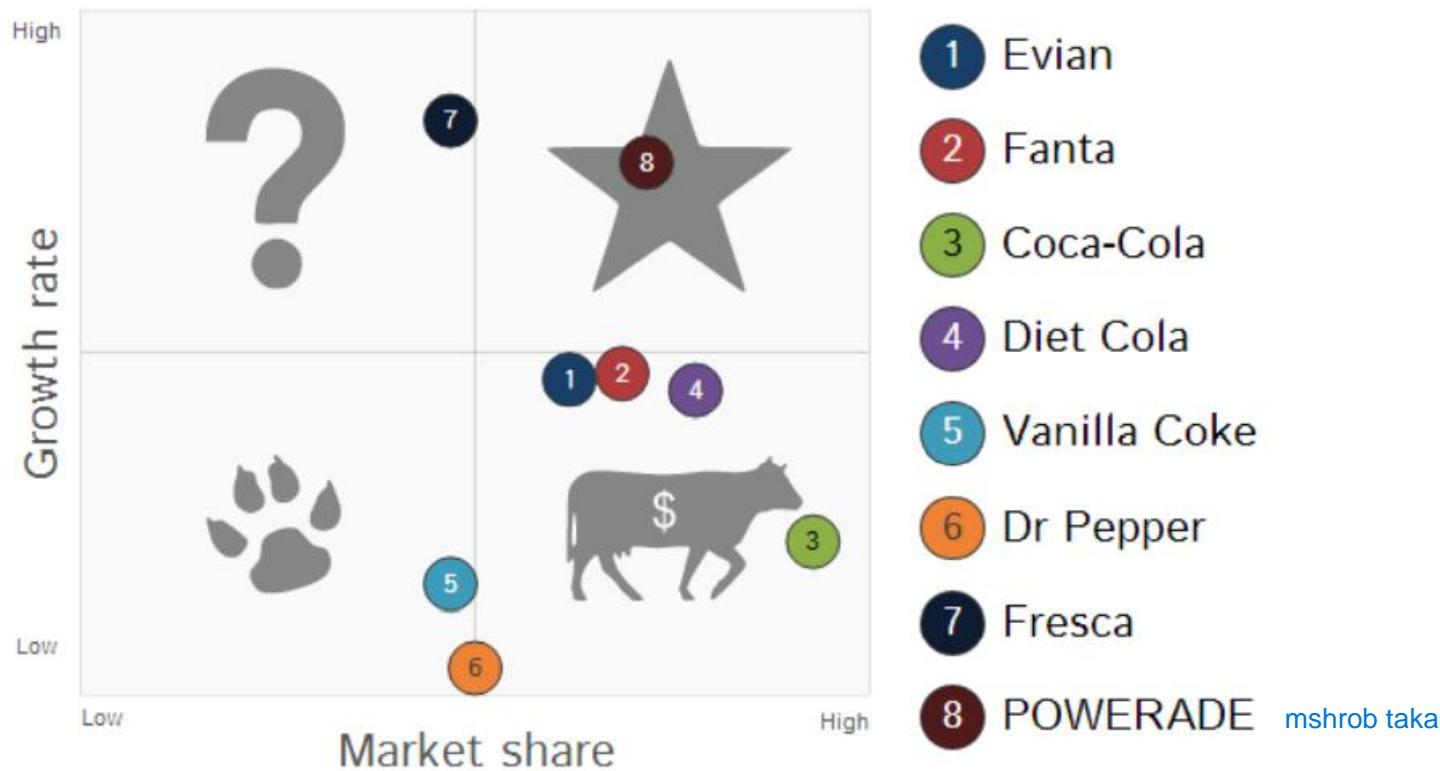
The BCG Growth-Share Matrix

- 1 Evian
- 2 Fanta
- 3 Coca-Cola
- 4 Diet Cola
- 5 Vanilla Coke
- (V) Dr Pepper
- 7 Fresca
- 8 POWERADE



Designing the Business Portfolio

EXAMPLE: Coca Cola - The Boston Consulting Group (BCG) Approach



Designing the Business Portfolio

Analyzing the Current Business Portfolio: The Boston Consulting Group (BCG) Approach

After classifying the SBUs, the company must decide what role each will play in the future:

Organization increase investments in SBUs which have promising products and attractive market share; a thrust is laid on such products which have potential to grow. For example an organization can push a Question mark into a Star and finally a cash cow.

A harvest strategy is a business strategy that involves reducing and at times even terminating investments in a product, product line of SBU; so that the organization can reap maximum profits. Harvest strategy fits perfectly for the cash cow SBUs, and it is when the asset is paid off and requires no further investment

exit plan



The holding strategy is appropriate for strong cash-cows when they continue yielding large positive cash flows

The objective of the divest strategy is to sell or liquidate the business because resources can be better used elsewhere, this strategy is appropriate for dogs and question marks that are acting as a drag on the company's profit.

Designing the Business Portfolio Problems with Matrix Approaches

- Difficulty in defining SBUs and measuring market share and growth
- Time consuming
- Expensive
- Focus on current businesses, not future planning

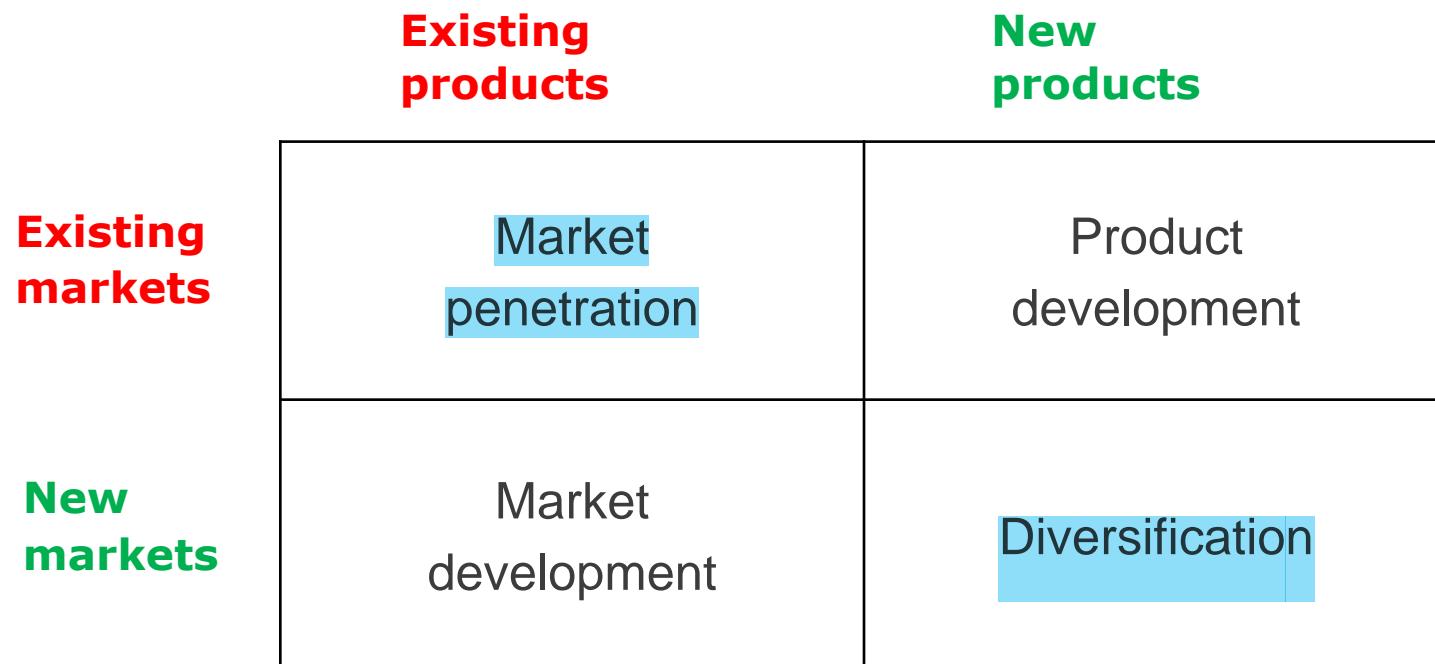
Designing the Business Portfolio

Developing Strategies for Growth and Downsizing

Ansoff's Product/Market Expansion Grid identifies growth opportunities by looking at new products, existing products, new markets, and existing markets for company growth opportunities.

Designing the Business Portfolio

Developing Strategies for Growth and Downsizing: The Ansoff's Product/Market Expansion Grid



.FIGURE 2.3 The Ansoff's Product/Market Expansion Grid

Diversification strategy is applied when companies wish to grow. It is the practice of introducing a new product into your supply chain in order to increase profits. These products could be a new segment of the industry your company already occupies, known as business-level diversification

Designing the Business Portfolio

EXAMPLE: The Ansoff's Product/Market Expansion Grid

	Existing Product	New Product
Existing Market		
New Market		

Designing the Business Portfolio

EXAMPLE: The Ansoff's Product/Market Expansion Grid

	Existing Product	New Product
Existing Market		
New Market		 

Designing the Business Portfolio

Developing Strategies for Growth and Downsizing

Downsizing is when a company must prune, harvest, or divest businesses that are unprofitable or that no longer fit the strategy.

Designing the Business Portfolio

EXAMPLE: Downsizing

One company behind all?



Designing the Business Portfolio

EXAMPLE: Downsizing



Designing the Business Portfolio

EXAMPLE: Downsizing



Designing the Business Portfolio

EXAMPLE: Downsizing

P&G is keeping around 70 to 80 brands only as these make up 90% of its sales.

CEO A.G. Lafley made the announcement:

"We're going to create a faster growing, more profitable company that is far **simpler to manage** and operate. This will enable P&G people to be more agile and **responsive**. More **flexible** and **faster**. **Less will be much more.**"



Planning Marketing: Partnering to Build Customer Relationships

Partnering with Other Company Departments

Value chain is a series of departments that carry out value-creating activities to design, produce, market, deliver, and support a firm's products.



Carrefour's goal is to create customer value and satisfaction by providing shoppers with the products they want and lowest possible price

Planning Marketing: Partnering to Build Customer Relationships

Partnering with Others in the Marketing System

Value delivery network is made up of the company, suppliers, distributors, and ultimately customers who partner with each other to improve performance of the entire system.

Planning Marketing: Partnering to Build Customer Relationships

EXAMPLE: Partnering with Others in the Marketing System

Toyota partners with suppliers. Creating satisfied suppliers helps Toyota produce lower cost, higher quality cars, which in turn result in more satisfied customers.

The screenshot shows the homepage of ToyotaSupplier.com. At the top left is the "TOYOTA SUPPLIER.COM" logo with a key fob icon. To the right is the text "A service of Toyota Motor Engineering & Manufacturing North America". Below the logo is a navigation bar with "LOGIN" and "MEMBER LOGIN GO". A sidebar on the left says "Interested in becoming a Toyota Supplier? Click here" and "RECENT UPDATES Visit the North American pressroom for recent Toyota News". The main content area features a white Toyota Camry. On the right side, there are five small images: a man in a hard hat, a car's instrument cluster, a woman in a hard hat, a car seat, and a man working on machinery. Below the images are sections for "ABOUT TOYOTA", "SUPPLIER'S GUIDE", "COMMUNITY CONNECTION", "SUPPLIER DIVERSITY", and "NEWS". The footer includes links to "Terms of Use" and "Privacy Policy", and logos for Toyota, Lexus, and Toyota Motor Sales.

What is ToyotaSupplier.com?

ToyotaSupplier.com is an extension of our commitment to long-term, mutually beneficial relationships with our North American suppliers. Toyota Motor Engineering & Manufacturing North America (TEMA) works side-by-side with hundreds of North American suppliers to build our top quality vehicles. Now current and potential suppliers can get information on our purchasing policies, newsworthy articles, and bio information through this home page. The login section takes existing suppliers to applications and documents they need to conduct business with Toyota online.

ABOUT TOYOTA
Brief overview of Toyota's North American manufacturing operations including facilities, products, employment, etc.

SUPPLIER'S GUIDE
Toyota's purchasing principles, supplier development efforts, and desired products

COMMUNITY CONNECTION
Toyota/supplier philanthropy program which supports organizations in supplier communities

SUPPLIER DIVERSITY
Toyota's minority supplier development program

NEWS
Toyota press releases, news, and current events

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Marketing Strategy and the Marketing Mix

FIGURE | 2.4

Managing Marketing Strategies
and the Marketing Mix



At its core, marketing is all about creating customer value and profitable customer relationships.

Marketing strategy involves two key questions: Which customers will we serve (segmentation and targeting)? and How will we create value for them (differentiation and positioning)? Then, the company designs a marketing program—the four Ps—that delivers the intended value to targeted consumers.

Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Marketing strategy is the marketing logic by which the company hopes to create customer value and achieve profitable customer relationships.

Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

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

Market segment is a group of consumers who respond in a similar way to a given set of marketing efforts.

Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Market targeting is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter



Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Differentiation begins the positioning process.

The company identifies **customer value differences** in its offer that provide it with **competitive advantages** upon which it builds the position.

Market positioning is the arranging for a product to occupy a clear, **distinctive**, and **desirable** place relative to competing products in the minds of target consumers.

❖ EXAMPLES:

P&G: Touching lives, improving life.

BMW: The ultimate driving machine.

L'Oreal: Because you're worth it.

Walmart: Save money. Live better.

Marketing Strategy and the Marketing Mix

EXAMPLE: Market Positioning

HOW MUCH?



Marketing Strategy and the Marketing Mix

EXAMPLE: Market Positioning

Produced in Columbia: Handmade!



Marketing Strategy and the Marketing Mix

EXAMPLE: Market Positioning

Celebrity Endorsement



Marketing Strategy and the Marketing Mix

Developing an Integrated Marketing Mix

Marketing mix is the set of controllable, tactical marketing tools—**product, price, place**, and **promotion**—that the firm blends to produce the response it wants in the target market.



Marketing Strategy and the Marketing Mix

Developing an Integrated Marketing Mix

FIGURE 1 2.5
The Four Ps of the Marketing Mix



Marketing Strategy and the Marketing Mix

4Ps vs. 4Cs

4Ps	4Cs-1
<ul style="list-style-type: none">• Product• Price• Place• Promotion	<ul style="list-style-type: none">• Customer Solutions• Cost• Convenience• Communication

Marketing Strategy and the Marketing Mix

Services Marketing Mix

For services, the marketing mix is extended to **7Ps** instead of **4Ps**. The additional new ones are:

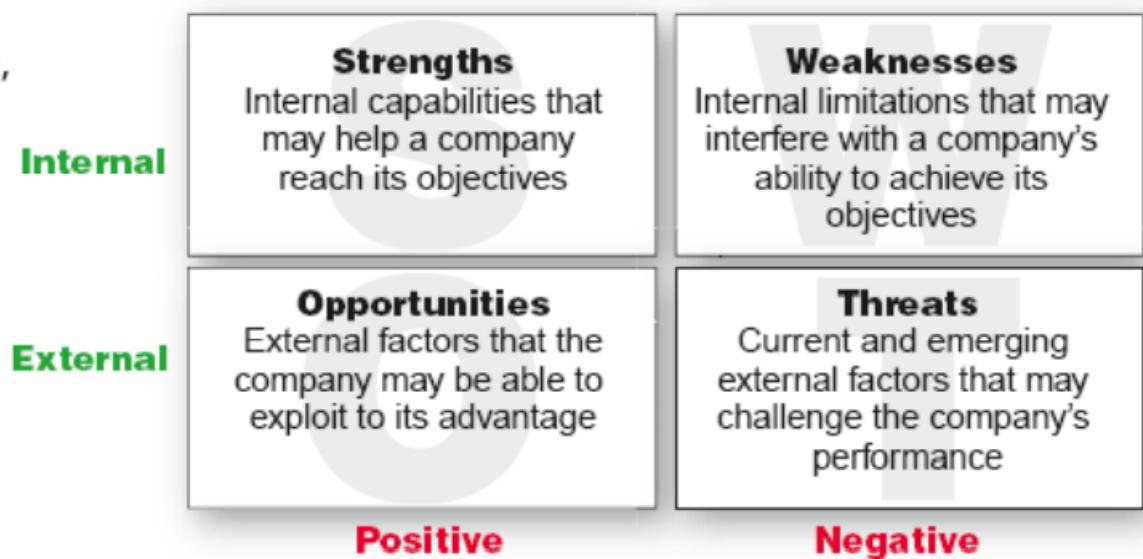
- People
- Process
- Physical Evidence / positioning
Performance

Managing the Marketing Effort

Marketing Analysis: SWOT Analysis

FIGURE | 2.7

SWOT Analysis: Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T)



Managing the Marketing Effort

EXAMPLE: SWOT Analysis

Internal	Strengths <ul style="list-style-type: none">- Highly Educated Staff- Very Good R&D Department- High Market Share- High Profits	Weaknesses <ul style="list-style-type: none">- Not keeping up with technology- Not having enough resources to expand- Slow Production Rate- Not keeping up with consumer changing needs
External	Opportunities <ul style="list-style-type: none">- Market segment not targeted by another company- Availability of new locations for expansion- Online Buying Behavior Increase	Threats <ul style="list-style-type: none">- Political Instability- New Rules and Regulations- Economic Problems- New Competition

Positive **Negative**