



LEEDS BECKETT UNIVERSITY
LEEDS BUSINESS SCHOOL

Strategic Planning & Control

Lecture 9: Implementing Competitive Strategy

Part A :Targeting and Positioning

Part B: The Marketing Mix : 4 P's and 7 P's

Part C: Product Life Cycle

Part D: Porter's Value Chain

Module Overview

- This week onwards – one lecture per week Wednesday 12.00
- Seminars this week (Week 5) – bring your individual Round 3 Global Challenge decisions to class to debate, compare and finalise with your team
- Before next week input your individual decisions for Round 4 Global Challenge
- Seminars this week will be Round 3 team decisions and results analysis AND you will begin planning for the seminar exercise that you will share next week (Week 6) (w/c 28/10)
- **LEARNING JOURNALS!**

Weeks 5-6 (w/c 21/10& 28/10) Seminar Activity

Applying Lectures to Global Challenge!

This is exactly what you will need to be able to do in your assignments!

Do not miss this important opportunity for a practice run , and tutor and peer formative feedback!

- **This was briefed in seminars last week (w/c 14/10) and in Lecture recording Thurs17th Oct**
- **Briefing is on MyBeckett/ Weekly Materials/ Seminar Materials / Week5-6 Seminar Project**
- **Your team will prepare and share their results (in a supportive and relaxed environment) in the Week 6 seminar**
- **Designed to prepare you for your individual Strategic Plan assignment...**
- **Take a good look also at the marking scheme for the Strategic Plan assignment itself – offers some clear indications of what is being looked for by the examiner!**

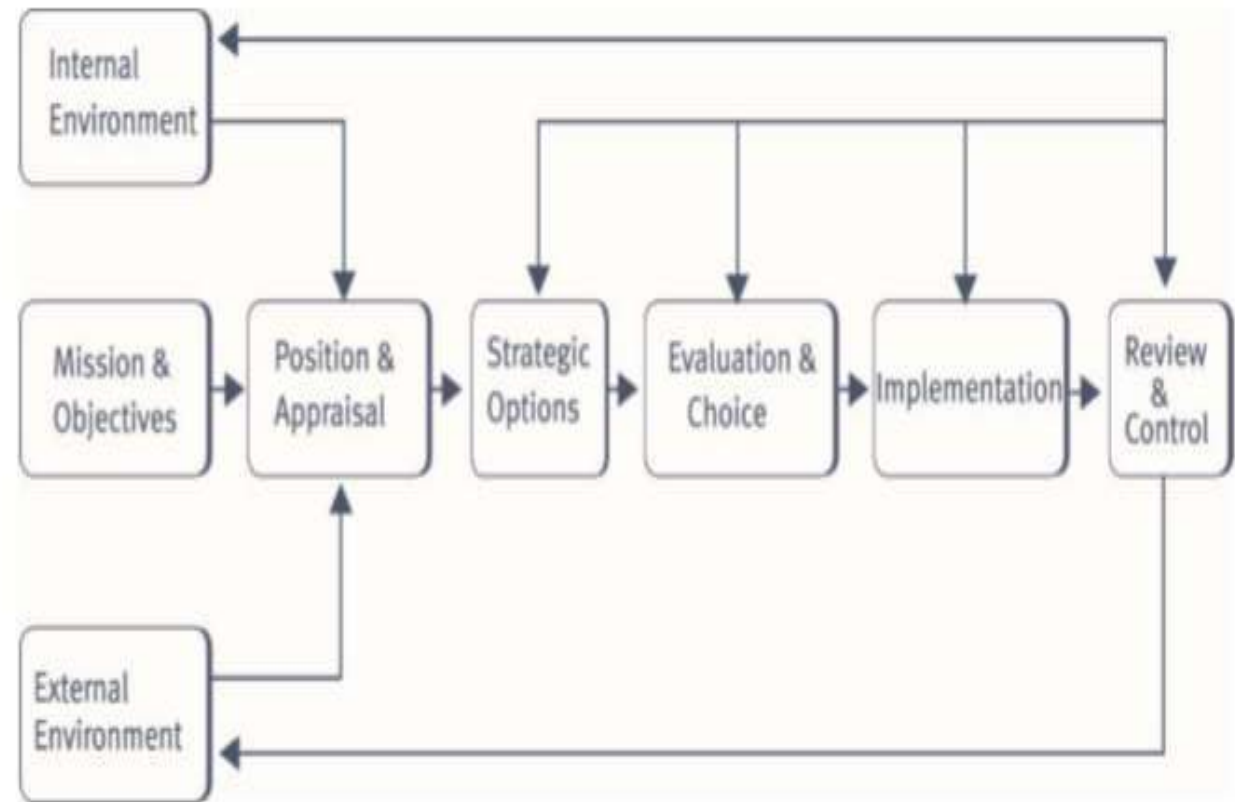
Learning Outcomes

1. To understand the role of the Marketing Mix as a mean to 'position' products in a 'target' market or market segment(s)
2. To be able to identify areas of decision making and considerations in implementing the 4P's of the marketing mix
3. To understand the extended marketing mix (7 P's) in the context of services
4. To understand how the Product Life Cycle makes recommendations for aspects of strategic implementation and resources/skills required
5. To understand how Value Chain analysis can be applied to ensure a firm's activity is aligned with its competitive strategy

Rational Planning Model

3 main stages

- Strategic Analysis
- Strategic Choice
- Strategic Implementation



This session looks at aspects of how to implement a competitive strategy , once one has been selected....

Strategies for Competitive Advantage (a reminder....)

Michael Porter argued that there are **only 3** 'generic strategies' through which an organisation could successfully achieve competitive advantage....



Cost Leadership

- emphasis on keeping costs down
- opens profit margin by lowering costs more than competitors can



Differentiation

- a 'better' product is sold
- opens up the profit margin by increasing the selling price



Focus

- Firm concentrates on a small 'segment' of the market
- Chooses to operate as a Cost Leader or Differentiator in that segment.

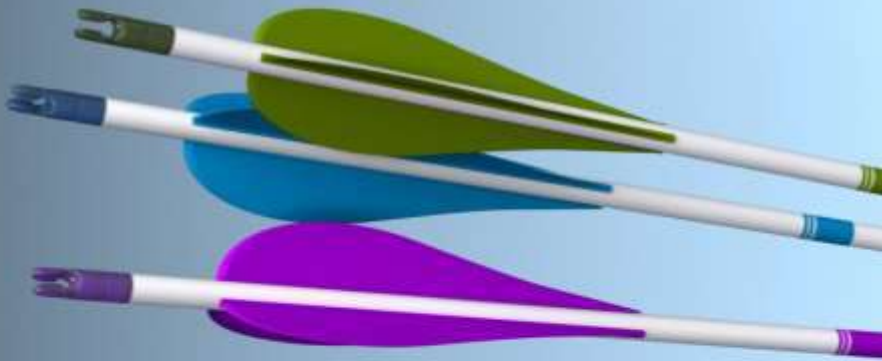


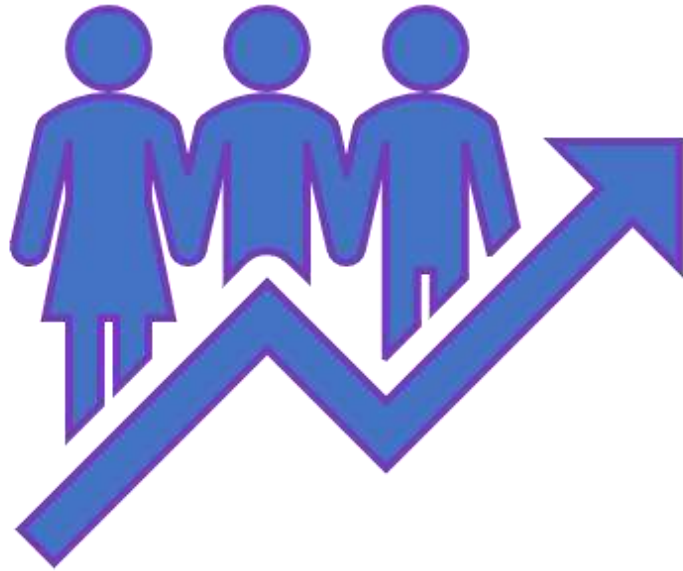
Part A

Targeting & Positioning

Marketing

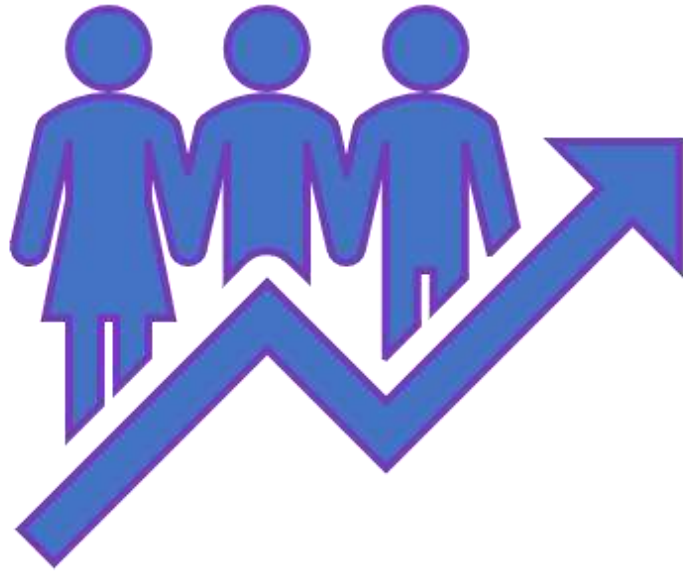
- Marketing is one of the means by which strategies are implemented.
- Marketing can help create Porter's generic strategies (cost leadership, differentiation or focus) or Bowman's Strategy Clock positions
- It does this through how it 'targets' and 'positions' products/services offered in the market.





Targeting a Market Segment

- A firm may **segment** its market, ie, divide it into smaller parts
- A 'market segment' is a group of customers with **similar needs** who can be treated similarly for marketing purposes
- Example: a bank divides its customers into small business owners, larger corporate business banking and retail banking (eg savings , loans , mortgages for individuals)
- The '**marketing mix**' can be tailored differently for each market segment.
- Can operate in all segments , or in just one segment (focus strategy)
- Not always relevant to segment the market – '**mass marketing**' sometimes appropriate eg sugar



Bases for Segmentation

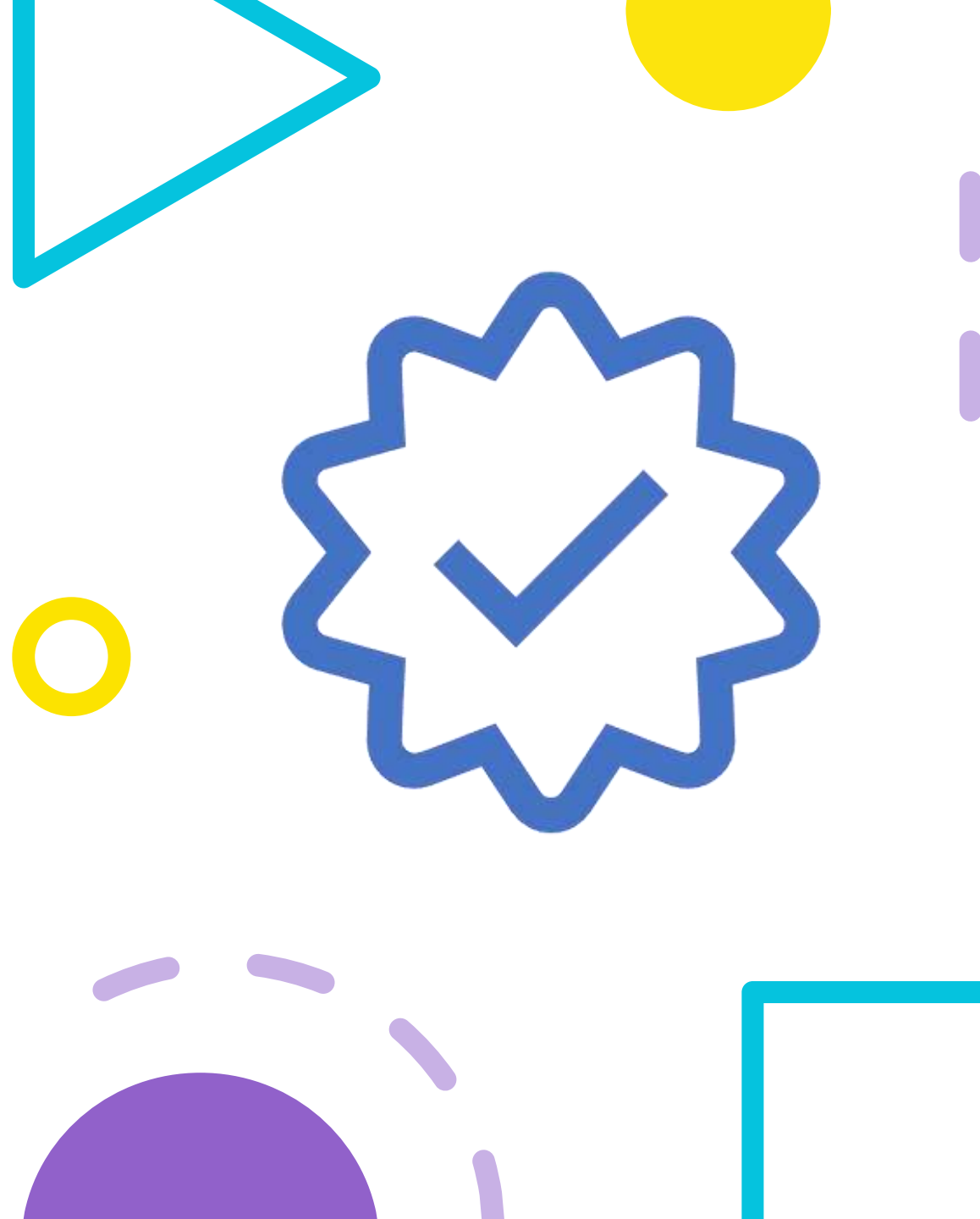
- Geography
- Demographic
- Benefit sought from the product or service
- Technological orientation
- Purchasing patterns

- Food for thought?

Which segments are you targeting with Tech 1 or Tech 2 , 3 and 4?

Market Positioning

- **Positioning:** The overall location of a product or service in the target customer's mind compared to competitors' products, services /brands.
- **Re-positioning:** Changing the identity of a product or service, compared to the identity of competing products or services, in the target customer's mind.
- The '**marketing mix**' is the toolkit used by marketers to 'position' products compared to rivals and to obtain sales.

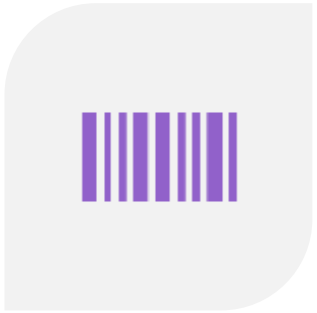




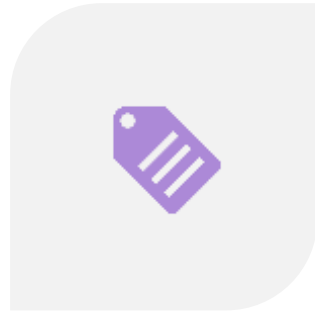
Part B

Marketing Mix: 4P's and 7P's

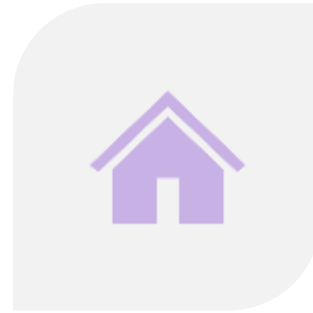
Marketing Mix: 'the 4P's'



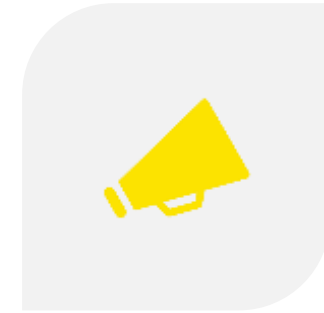
PRODUCT



PRICE



PLACE



PROMOTION

Product



- Core product
- Additional features
- New Product Development strategy
- Global products – standardise product or adapt product to local conditions?
- Eg Mobile Inc: offering same 2 techs in all 3 markets or offering different Techs to different markets....

Global Products – Standardise or Adapt?

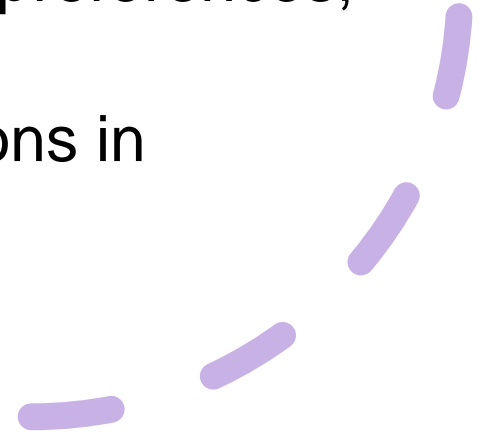


Advantages of standardisation

- Economies of Scale
- Consumer Mobility – consumers can buy from all markets
- Consistent Image

Advantages of adaption to local market

- There may be very different market characteristics – language , culture, preferences, climate etc
- There may be different regulations in different countries



Place



- **Distribution Channel** – what is the best way to get the product to the customer
- The places where the product is available say a lot about its perceived quality and status. The **channels of distribution** must match the image of the product and the customer's perception of the product
- Distribution Channels:
 - Retail
 - Wholesalers
 - Distributors
 - Agents
 - Franchisees
 - Direct Selling



Promotion



- Advertising
- Sales Promotion
- Public Relations
- Personal Selling



Pricing Strategies



- **Cost plus pricing** – simple but ignores the impact on sales of price levels; complications with fixed costs; ignores competitors
- Prices based on ‘**perceived customer value**’
eg Going Rate; Product Comparison approaches
- Kotler : Pricing Decision should take into account the 3 C’s
 - Costs
 - Customers
 - Competitors



Pricing Strategies



- **Differential Pricing** (aka Price Discrimination)
by place/time/segment(eg age)/ dynamic pricing
(eg airlines)
- **New Product Pricing**
Price Skimming: price high to profit from
being first into a new market
Market Penetration: price low to capture
market share early.



Services Marketing Mix: 'the 7 P's'



Examples of services: haircut, banking transaction, show in the theatre/cinema,



For services (rather than products) the marketing mix is extended to 7 P's by adding:



People: service providers must portray the values of the organisation & the brand



Processes: the way in which the service is delivered



Physical Evidence : the parts of the experience that customers can see and 'touch'



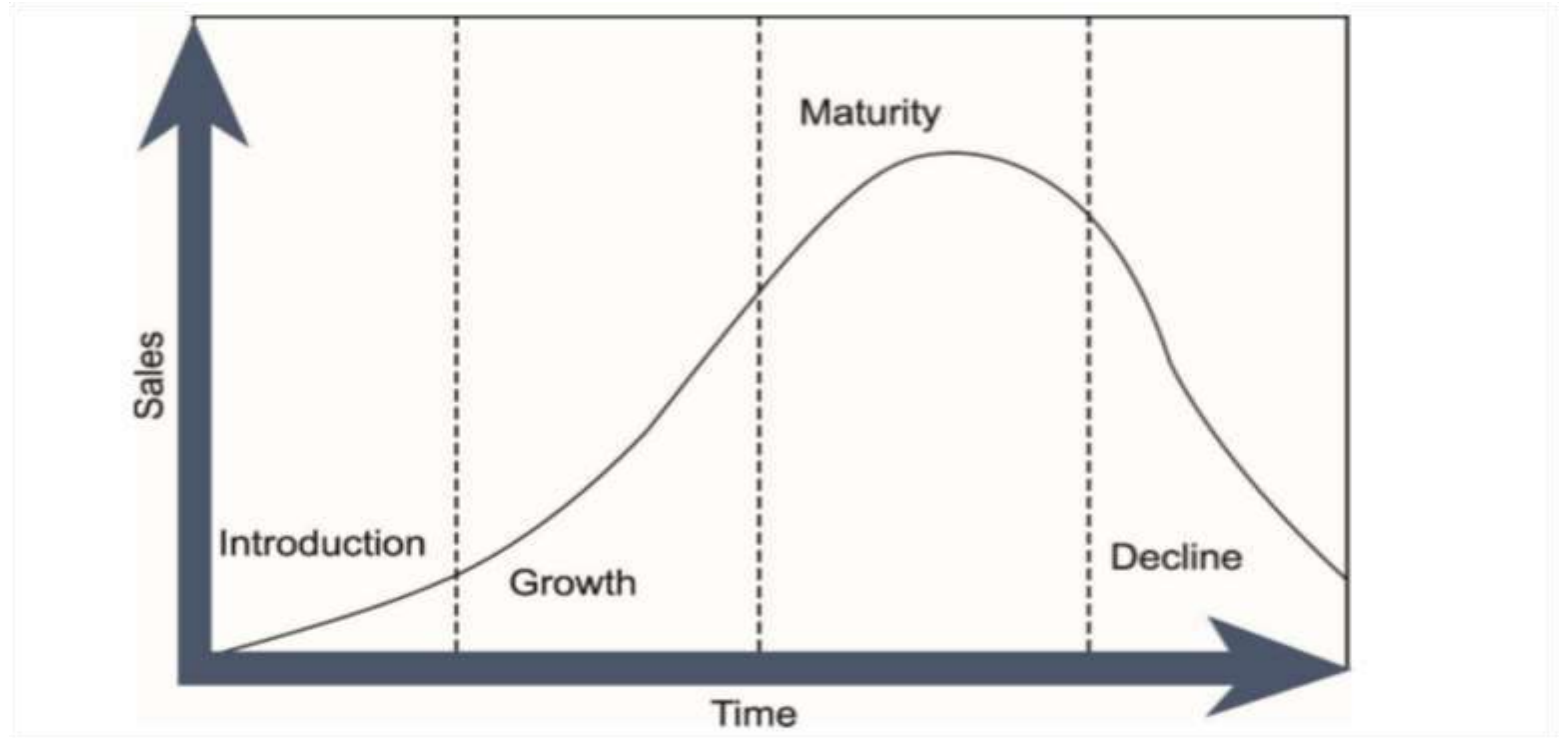
These are all attributes of the 'customer experience' of consuming a service



Part C

Product Life Cycle

Industry/ Product Life Cycle



- Plots the progress of a product through its life span
- Required strategy and resources/capabilities are likely to change over the life of the product
- Makes recommendations for competitive strategy at each stage in the life cycle and the resources and capabilities that would be needed

Product Life Cycle Stages

Introduction: newly invented product or service. Firms attempt to develop buyer interest. There may be significant competitive advantage to those firms are first in the industry.

Growth: period of rapid expansion of demand or activity as the industry finds a market and competitors are attracted by its potential. Will eventually begin to slow resulting in a shakeout of weaker players from industry

Maturity: relatively stable period of time where there is little change in sales volumes year to year but competition between remaining firms intensifies as growth continues to slow down.

Decline: a falling off in activity levels as firms leave the industry and the industry ceases to exist or is absorbed into some other industry.

	Introduction	Growth	Maturity	Decline
Customer/ Market	Experimenters Innovators	Early adopters. Rapid growth in market. Can increase sales though growth in market.	Demand reaches saturation. Only way to increase sales is to gain business from competitors. Well informed customers - brand switching risk.	Demand falling. Some competitors may leave the market.
Prices	Price high (skim) to cash in on novelty or price low (penetration) to gain adoption and high initial share	Prices fall due to increasing competition and economies of scale	Price more sensitive - defend sales by price matching rivals	Fall to attract sales – sophisticated customers expect low prices. Heavy discounting and price wars.
Marketing Focus	Early entry can give ‘first mover advantage’ but ‘pioneers’ will carry high promotion costs compared to ‘me too’ companies that follow	Objective to build market share. High promotion to attract early majority. Brand building – loyalty will help as product matures.	Defensive strategies to protect market share. Price and Promo matching with competitors.	Minimise spend on promotion. Seek exit strategy.

	Introduction	Growth	Maturity	Decline
Level of Competition	Few players	<p>Many new entrants in rapid growth phase</p> <p>Mergers and takeovers start to happen as growth slows</p>	Shake out leaves only a few players	<p>Some competitors may leave the market.</p> <p>Others will defend their position.</p>
Product	<p>Non standard technology.</p> <p>May be differing variants of product offerings.</p> <p>Offer basic product</p>	<p>Narrowing in the range of technologies/ product types.</p> <p>Evidence of differentiation – branding , features, services</p>	<p>Established technology.</p> <p>emphasis on product cost reduction</p> <p>More standardisation of product</p>	Reduce product variations/ranges to reduce costs.
Production	Short production runs. Specialised distributors	<p>Mass production is possible.</p> <p>Expand capacity to meet sales growth</p>	Overcapacity begins to develop.	High incidence of overcapacity in the industry – competitors leave the market.

	Introduction	Growth	Maturity	Decline
Research & Development Costs	Extremely high in preceding Development phase. High in Introduction	Medium/ Low Extend product before competitors	Low	Extremely low
Product Cost per Unit	High	Medium	Low	Very low
Marketing Costs	Very high	Medium	High	Low
Competition Costs	Very low	Medium	High	Medium
Total Cost Levels	Extremely high	Medium	Medium	Low
CRITICAL SUCCESS FACTORS	Innovative product	Expansion of capacity to enable mass production. Brand building.	Efficiency in Operations to keep costs low	Brand loyalty Low overheads

Mobile Inc

Product Life Cycle

- This applies when you are **playing the simulation** and when you are writing your **Strategic Plan assignment!**
- Can be used to **justify the selection of 'suitable' competitive strategies** for a Tech given its position in the life cycle (**Evaluation stage**)
- What resources would be needed – is this **Feasible?**
- Can be used in the **Implementation section** to justify decisions re pricing, products, features, promotion, manufacturing capacity & location of plants etc



Part D

Porter's Value Chain

The creation of 'Value' through Strategy: the Value Chain (Porter)

- The value chain sees the organisation as an input/output operation.



- Value creating activities are identified as either Primary Activities or Secondary Activities
- Inputs (Resources) + Value Creating Activities + Gross Profit Margin = Price paid by the customer

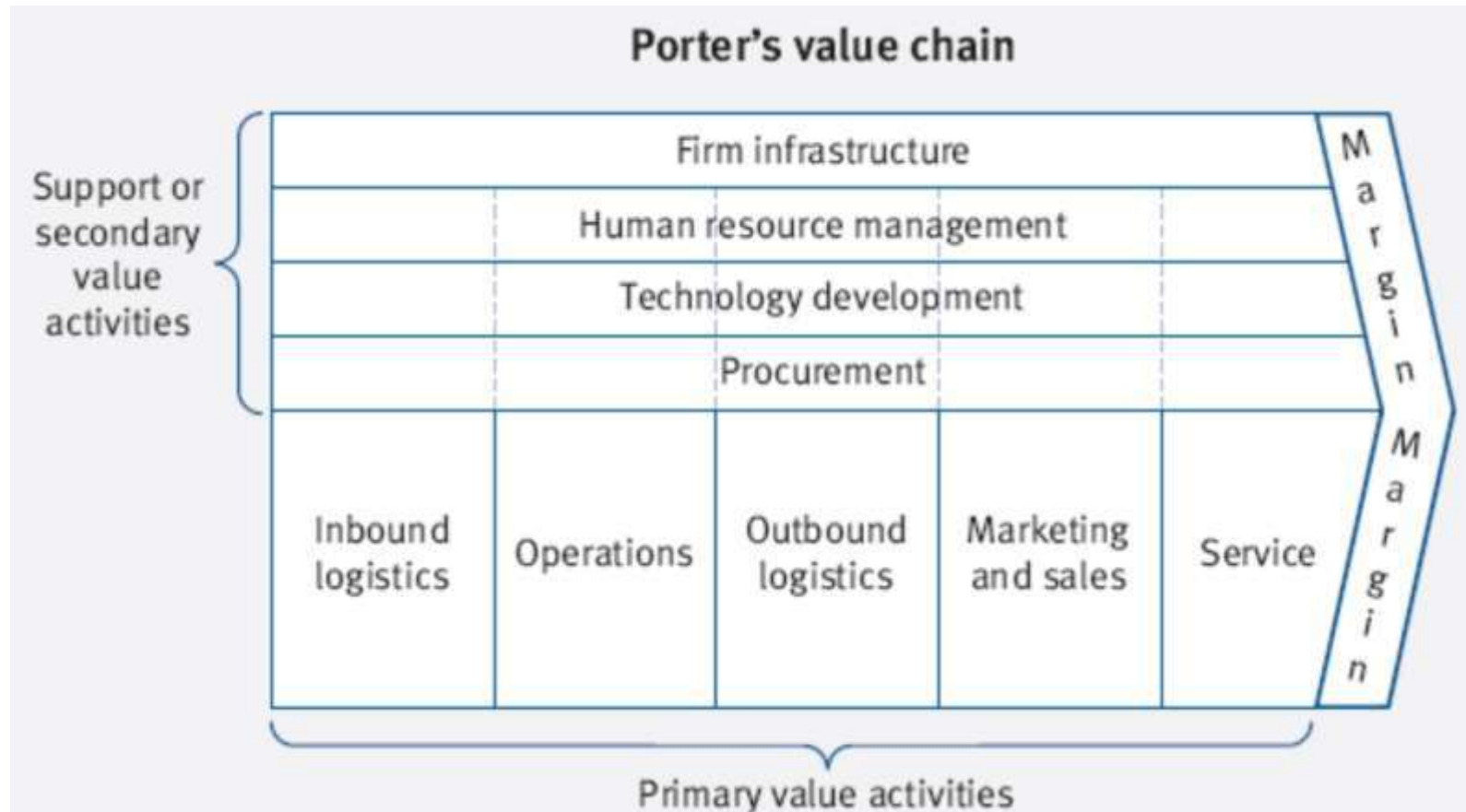
Primary Activities

Activity	Comment
Inbound logistics	Receiving, handling and storing inputs to the production system (ie, warehousing, transport, stock control etc).
Operations	Convert resource inputs into a final product or service. Resource inputs are not only materials. 'People' are a 'resource', especially in service industries.
Outbound logistics	Storing the product and its distribution to customers: packaging, warehousing etc.
Marketing and sales	Informing customers about the product, persuading them to buy it, and enabling them to do so: advertising, promotion etc.
After sales service	Installing products, repairing them, upgrading them, providing spare parts, advice (eg, helplines for software support).

Support Activities

Activity	Comment
Procurement	Acquire the resource inputs to the primary activities (eg, purchase of materials, subcomponents, equipment).
Technology development	Product design, improving processes and/or resource utilisation.
Human resource management	Recruiting, training, developing and rewarding people.
Management planning and firm infrastructure	Planning, finance, and quality control: these are crucially important to an organisation's strategic capability in all primary activities.

Porter's Value Chain



WHICH FOOD RETAILER IS THIS ? WHICH OF PORTER'S GENERIC STRATEGIES?

Firm Infrastructure	Central Head Office control of buying, NPD, operations				
HR Management	Recruitment of Mature Staff	Customer Service Orientation – staff training	Flexible staff to help with enquiries & packing		
Tech Development	New Product Development	Electronic POS		Sparks loyalty Card - database	Tailored Offers
Procurement	Own label products	Prime Retail positions		TV Adverts.	
	Dedicated refrigerated transport	Modern Store Design, In store food halls, Service stations	Collect by Car Service	Few price discounts. Targeted offers	No quibble refunds
Primary Value Activities	Inbound Logistics	Operations	Outbound Logistics	Marketing & Sales	Service

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WHICH FOOD RETAILER IS THIS ? WHICH OF PORTER'S GENERIC STRATEGIES?

Firm Infrastructure	Minimum Head Office functions and costs				
HR Management	Use of casual staff	Low skilled store staff	Dismissal for check out errors		
Tech Development		Electronic POS			
Procurement	Branded and Own label generic 'copycat' products	Low cost sites for stores		TV Adverts.	
	Bulk warehousing	Limited product range. Price points. Basic warehouse store design.	Packing benches	Promote low prices & special buys	Limited
Primary Value Activities	Inbound Logistics	Operations	Outbound Logistics	Marketing & Sales	Service

**M
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How is it used?

- The activities identified drive costs – so a Cost Leader would ensure that all activities were consistent with a low cost operation
- The activities identified are those which create value – so a differentiator would ensure that all activities were contributing to a unique/ 'better' product or service
- In other words: can be used to make sure that all activity in the value chain is aligned with the chosen competitive strategy (Diff/ CL/ Bowman's etc)
- It can also be used as a way for the firm to map out its activity and processes and identify those that are adding value (**strengths**) and those that are not (**weakness**) – ie contributing to the SWOT.

What might this look like in a manufacturing organisation?

Nature of competitive strategy	Low cost, low selling price	High end (differentiator)
Inbound logistics	Standardised components and materials with little customisation	Premium materials Selective sourcing
Operations	Bulk production Focus on efficiency High levels of standardisation	Flexible production Focus on quality Facilitation of customisation
Outbound logistics	Few outlets used Bulk delivery and careful management of delivery loads Minimal packaging	Use of premium distributors and retailers Flexible(possibly free) delivery Premium packaging
Marketing and sales	Minimal levels of marketing Sales focus is on quantity standardised	High levels of promotion Lots of market research High levels of customer management and personalisation
service	Very little	extensive

What might this look like in a manufacturing organisation?

Nature of competitive strategy	Low cost, low selling price	High end (differentiator)
HRM	Use low skilled staff Reduced training and staff development	Use higher skilled staff Encourage staff development See staff as a key resource
Technology	Use e-procurement to reduce costs High use of technology to improve efficiency and cut costs	Less use of technology in operations Greater use of technology in marketing and sales to facilitate high promotion levels High R&D Regular process redesign
Procurement	Seek out cheapest and most efficient supplies Use outsourcing when it reduces costs	Seek premium suppliers
Infrastructure	Functional structure Many centralised services Produce in cheapest locations	Flexible structures Small span of authority Tall structures

Link to Assignment

7. Implementation

Explain and justify how your selected strategy will be implemented for each Tech and/or Market.

Important: Your commentary here should reflect the decisions you ‘make’ in the financial forecast spreadsheet. In your commentary you should explain the decisions you have input to the spreadsheet in each area.

Your justification should make clear how the decisions made reflect the strategy you have chosen in Section 5 of your report.

In your analysis you should include both practical considerations and also **apply the vocabulary and learning from module lectures, for example Lecture 7 (Strategic Options) and Lecture 9 (Implementing Competitive Strategy).**

Take care to ensure that the decisions taken are consistent with and make sense with your chosen strategy in Section 5 of your report above

Link to Assignment

Here is a reminder of the 9 decisions you will need to discuss:

Decision	Step in the Forecast Spreadsheet Instructions
Choice of Techs to sell and related R&D strategy	Step 3
Forecast Sales Growth	Step 4
Manufacturing Plan (locations and inhouse/subcontract)	Step 5
Manufacturing Facilities (number of Plants)	Step 6
Level of features on each Tech	Step 7 & 8
Selling Prices	Step 9
Promotion Expenses	Step 10
Inventory Strategy (level of...)	Step 11
Company financing	Step 12

Link to Assignment

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Vocabulary! This is an area of this part of the assignment that is often weaker.

- Marketing Mix!
- Value Chain!
- Product Life Cycle!

These can all be drawn on when explaining the decisions you have made across the 9 areas.

No need to explain or describe the models, just use the correct terminology when relevant in making the implementation decisions...

Forecast Spreadsheet

- Will be released in Week 8 w/c 11 November
- This is the week you will play final Round 5 in CESIM. The closing position is the starting point for your Strategic Plan report.
- Lecture in Week 8 will overview the Forecast spreadsheet.....
- Opening balances in your forecast financial statements will come from CESIM round 5 data

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