Strategic Planning And The Marketing Process

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from Principles of Marketing book chap. 2 Kotler & Armstrong
Strategic planning

- Some excuses for not planning
- Different types of planning
- Strategic planning
- Four steps
long range, annual, strategic
Defining the Co. 's business & mission

- Mission statement
- Sound mission statement
Mission statement: A statement of the organization's purpose - what it wants to accomplish in the larger environment.

Sound mission statement: market oriented (IBM), neither too narrow nor too broad, realistic, specific, consistent with market environment, based on Co.'s distinctive competencies, motivating (Microsoft IAYF), beyond making money.
Setting Co. 's objectives & goals

- Mission translation (for each level of management)
- As specific as possible
Designing the business portfolio

- Business portfolio
- Portfolio analysis
- Two steps in business portfolio designing
- Strategic business units
Business portfolio: The collection of businesses and products that make up the company.

1) analyze current business portfolio and decide which businesses should receive more, less, or no investment; 2) develop growth strategies for adding new products or businesses to the portfolio.

1) identification 2) evaluation

A unit of the Co. that has a separate mission and objectives and that can be planned independently from other co. businesses
Analyzing the current business portfolio

The BCG growth-share matrix

- **Star**: High market growth rate and high relative market share.
- **Question mark**: High market growth rate and low relative market share.
- **Cash cow**: Low market growth rate and high relative market share.
- **Dog**: Low market growth rate and low relative market share.

Four possible strategies:
- Build
- Hold
- Harvest
- Divest
a14 The areas of the circles are proportional to the SBU's dollar sales
amirkhan; 2005/01/15

a35 Heavy investment to finance their rapid growth
amirkhan; 2005/02/02

a36 Less investment to hold their market share
amirkhan; 2005/02/02

a37 need a lot of cash to hold their share let alone increase it.
amirkhan; 2005/02/02

a38 they may just generate enough cash to maintain themselves
amirkhan; 2005/02/02

a39 Harvesting ----> Milking its short-term cash flow regardless of the long-term effect
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Analyzing the current business portfolio

General Electric's strategic business-planning grid

- Strong Average Weak
- High Medium Low

- invest and grow
- maintain investment
- harvest or divest
Industry attractiveness: Market size, market growth rate, industry profit margin, amount of competition, seasonality and cyclicity, and industry cost structure

Business strength: Relative company's market share, price competitiveness, product quality, customer and market knowledge, sales effectiveness, and geographic advantages

*****Problems with matrix approaches*****

The area of the circles are proportional to the relative sizes of industries in which these SBUs compete. The pie slices within the circles represent each SBU's market share.
Developing growth strategies

Market opportunity identification through product-market expansion grid
Market penetration: A strategy for company growth by increasing sales of current products to current market segments without changing the products.

Product development: A strategy for company growth by offering modified or new products to current market segments. Developing the product concept into a physical product.

Market development: A strategy for company growth by identifying and developing new market segments for current company products.

Diversification: A strategy for company growth by starting up or acquiring businesses outside the company’s current products and markets.

Profitable growth
Planning cross-functional strategies

• Marketing’s role in strategic planning

• Marketing and other business functions

• Cross-functional conflict
Marketing's role in strategic planning:

1. Marketing concept as a guiding philosophy
2. Provides inputs to strategic planners by helping to identify active market opportunities and by assessing the firm's potential to take advantage of them
3. Within individual business units, designs strategies for reaching the unit's objectives out of profit.

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The marketing process

Factors influencing company marketing strategy
Connecting with consumers

- Market segmentation
  - Market segment
- Market targeting
- Market positioning
  - Possible competitive advantages
  - Offering greater value to chosen target segments
  - Delivering the value
    (differentiating the co.’s marketing offer)
Market segmentation: dividing market into distinct groups of buyers on the basis of needs, characteristics, or behavior who might require separate products or marketing mixes

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

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

Market positioning: Arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers
Marketing strategies for competitive advantages

- Market leader strategy
- Market challenger strategy
- Market follower strategy
- Market nicher strategy
Marketing strategies must be geared to the needs of consumers and also to the strategies of competitors.
Designing competitive marketing strategies begins with thorough competitor analysis.
Competitive marketing strategy a co. adopts depends on its industry position.

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Developing the marketing mix

The four Ps of the marketing mix

**Product**
- Variety
- Quality
- Design
- Features
- Brand name
- Packaging services

**Price**
- List price
- Discounts
- Allowances
- Payment period
- Credit terms

**Promotion**
- Advertising
- Personal selling
- Sales promotion
- Public relation

**Place**
- Channels
- Coverage
- Assortments
- Locations
- Inventory
- Transportation logistics

Target customers
Intended positions
a22  Place includes company activities that make product available to target consumers  
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a23  Price: the amount of money consumers have to pay to obtain the product  
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a24  Promotion means activities that communicate the merits of the product and persuade target customers to buy it.  
*****
sales, cash debates, and low financing rates as added purchase incentives  
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a25  Product means the goods-and-services combination the company offers to the target market  
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a26  Marketing mix: The set of controllable tactical marketing tools-product, price, place, promotion- that that the firm blends to produce the response it wants in the target market.  
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Developing the marketing mix

- Some concerns for 4Ps
- 4Cs (4Ps from the buyers viewpoint):

<table>
<thead>
<tr>
<th>4Ps</th>
<th>4Cs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Customer solutions</td>
</tr>
<tr>
<td>Price</td>
<td>Customer value</td>
</tr>
<tr>
<td>Place</td>
<td>Convenience</td>
</tr>
<tr>
<td>promotion</td>
<td>Communication</td>
</tr>
</tbody>
</table>
Managing the marketing effort

Analysis

Planning
- Develop strategic plans
- Develop marketing plans

Implementation
- Carry out the plans

Control
- Measure results
- Evaluate results
- Take corrective action
Evaluations and information
Marketing planning

- A typical product or brand plan
  - Executive summary
  - Current marketing situations
  - Threats and opportunities analysis
  - Objectives and issues
  - Marketing strategies
  - Action programs
  - Budgets
  - Controls
A detailed marketing plan is needed for each business, product, or brand.

Marketing strategy: The marketing logic whereby the co. hopes to achieve its marketing objectives.

explain how each strategy responds to the threats, opportunities, and critical issues spelled out earlier in the plan.
Marketing implementation

• Who, where, when, how
• Influencing factors:
  – Skillful and motivated staff
  – Co.’s formal organization structure
  – Strategies fitted with co. culture
Marketing implementation: the process that turns marketing strategies and plans into marketing actions inorder to accomplish strategic marketing objectives

whereas planning addresses what and why
Marketing department organization

- Small co. s
- Functional organization
- Geographical organization
- Product management organization
  - Brand management organization
  - Category management organization
  - Customer management organization
- Market management organization
- Combination of all above
Marketing control

Set goals
What do we want to achieve

Measure performance
What is happening?

Evaluate performance
Why is it happening

Take corrective action
What should we do about it?

The control process
evaluate the causes of any differences between expected and actual performances

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Marketing control

• Operating control
• Strategic control
  – Marketing audit
Operating control: involves checking ongoing performance against the annual plan and taking correcting actions when necessary.

Strategic control: involves looking at whether the Co.'s basic strategies are well matched to its opportunities.

Marketing Audit: A comprehensive, independent, annual examination of a Co.'s environment, objectives, strategies, and activities to determine problem areas and opportunities and to recommend a plan of action to improve the marketing performance.