2

Elements of Marketing Strategy, Planning, and Competition

Chapter Questions

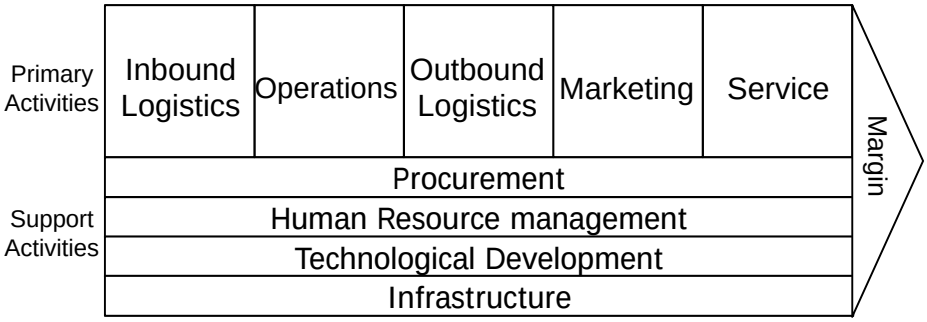
- How does marketing affect customer value?
- How is strategic planning carried out at different levels of the organization?
- What does a marketing plan include?

The Value delivery approach to Marketing

Successful marketers must focus on delivering value to customers. This is accomplished by:

- *Choosing the value* – Here marketers do their homework to segment the market, select the appropriate target, and develop the offerings value proposition.
- *Providing the value* – Entails selecting specific product features, prices, and distribution.
- *Communicate the value* – The third phase, communicating the value, is accomplished through the use of the sales force, the Internet, advertising, and other communication methods to announce and promote the product.

The Value Chain



One way that managers can identify ways to create more value is through The Value Chain, developed by Harvard's Michael Porter. According to this model, a company is a collection of activities that are performed to design, produce, market, deliver and support its products. The Value Chain identifies nine – five primary and 4 support – activities that create value and cost in a business.

Core Business Processes

- A firms success depends in part on how well each department performs its role. However, firms must also coordinate departmental activities to conduct these core business processes.
- **Market-sensing** – Activities involved in gathering and acting upon information about the market.
- **New-offering realization** – Research, development, and launch of new high-quality product offerings quickly and within budgets.
- **Customer acquisition** – All the activities in defining target markets and prospecting for new customers.
- **Customer-relationship management** – Activities involved in in building deeper understanding, relationships, and offerings to individual customers.
- **Fulfillment management process** – The activities that related to receiving and approving orders, shipping the goods on time, and collecting payments.

❖ Characteristics of Core Competencies

- Contributes to perceived customer benefits
- Useful in a wide variety of markets
- Difficult to imitate

What is Holistic Marketing?

- **Holistic marketing** sees itself as integrating the value exploration, value creation, and value delivery activities with the purpose of building long-term, mutually satisfying relationships and co-prosperity among key stakeholders.
- Holistic marketers thus succeed by managing a superior value chain that delivers a high level of product quality, service, and speed. They achieve profitable growth by expanding customer share, building customer loyalty, and capturing customer lifetime value.
- Holistic marketers address three key management questions:

1. *Value exploration*—How a company identifies new value opportunities
2. *Value creation*—How a company efficiently creates more promising new value offerings
3. *Value delivery*—How a company uses its capabilities and infrastructure to deliver the new value offerings more efficiently

Strategic Planning

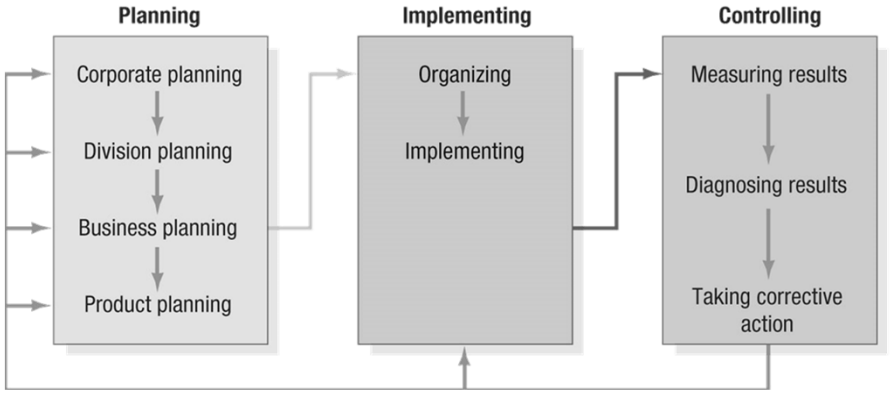
Strategic planning must focus on three key areas: 1) managing a company's businesses as an investment portfolio, 2) assessing each business's strength by considering the market's growth rate and the company's position and fit in that market, and 3) establishing a strategy.

Businesses as investment portfolio

Assessing each business's strength

Establish a strategy

Figure 1: The Strategic Planning, Implementation, and Control Processes



Marketing Plan

- Directs and coordinates the marketing effort
- Product Line or Brand Level
- Strategic and Tactical levels

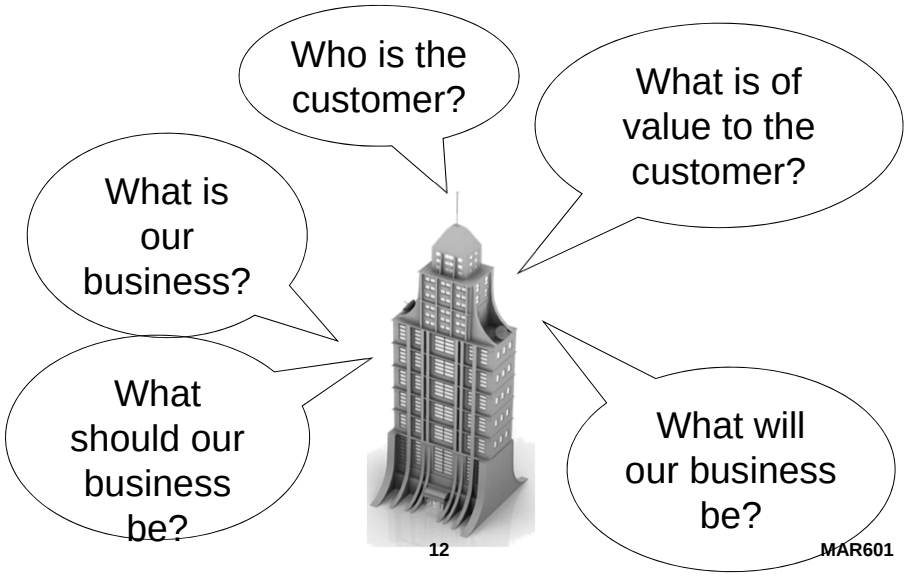
Levels of a Marketing Plan

- Strategic
  - Target marketing decisions
  - Value proposition
  - Analysis of marketing opportunities
- Tactical
  - Product features
  - Promotion
  - Merchandising
  - Pricing
  - Sales channels
  - Service

Corporate Strategic Planning

- Define the corporate mission
- Establish SBUs
- Assign resources to each SBU
- Assess growth opportunities

Defining the Corporate Mission

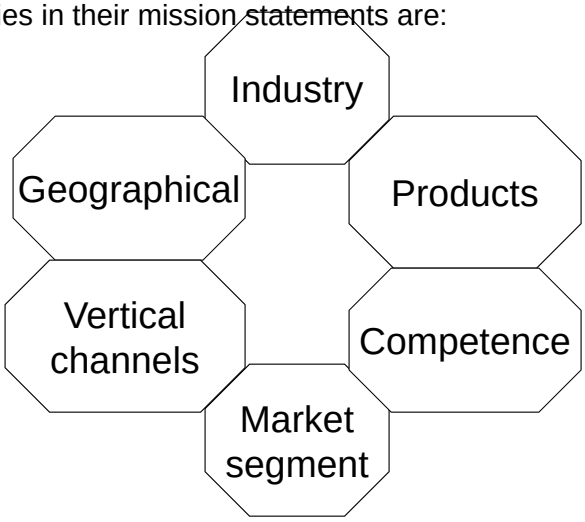


Good Mission Statements

1. Focus on a limited number of goals
2. Stress major policies and values
3. Define major competitive spheres
4. Take a long-term view
5. Short, memorable, meaningful

Major Competitive Spheres

The major areas with which companies can define competitive territories in their mission statements are:



eBay

"We help people trade anything on earth. We will continue to enhance the online trading experiences of all – collectors, dealers, small businesses, unique item seekers, bargain hunters, opportunity sellers, and browsers."

Product Orientation vs. Market Orientation

- Companies often define themselves in terms of products: They are in the "auto business" or the "clothing business." Market definitions of a business, however, describe the business as a customer satisfying process.
- Transportation is a need: the horse and carriage, automobile, railroad, airline, ship, and truck are products that meet that need.
- Viewing businesses in terms of customer needs can suggest additional growth opportunities. Table 2.3 lists companies that have moved from a product to a market definition of their business. It highlights the difference between a target market definition and a strategic market definition.

Table 1
Product Orientation vs. Market Orientation

Company	Product Definition	Market Definition
Union Pacific	We run a railroad.	We are a people-and-goods mover.
Xerox	We make copying equipment.	We help improve office productivity.
Hess Corporation	We sell gasoline.	We supply energy.
Paramount Pictures	We make movies.	We market entertainment.
Encyclopaedia Britannica	We sell encyclopedias	We distribute information.
Carrier	We make air conditioners and furnaces.	We provide climate control in the home.

Dimensions That Define a Business

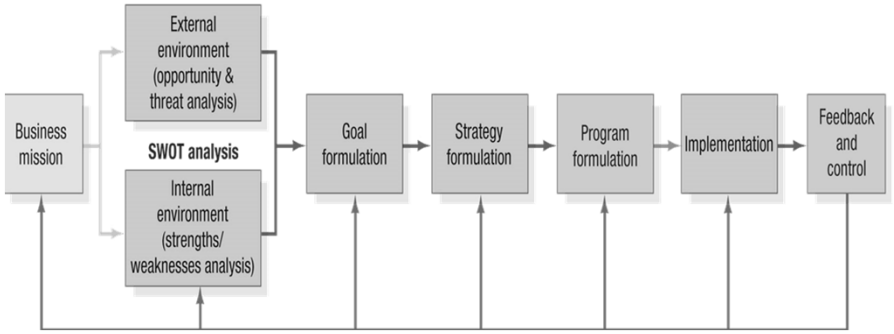
A business can define itself in terms of three dimensions: customer groups, customer needs, and technology.

Consider a small company that defines its business as designing incandescent lighting systems for television studios. Its ***customer group*** is television studios; the customer need is lighting; the ***technology*** is incandescent lighting. The company might want to expand to make lighting for homes, factories, and offices, or it could supply other services television studios need, such as heating, ventilation, or air conditioning.

Characteristics of SBUs

- It is a single business or collection of related businesses
- It has its own set of competitors
- It has a leader responsible for:
  - Strategic planning
  - Profitability
  - Efficiency

Figure 2: The Business Unit Strategic Planning Process



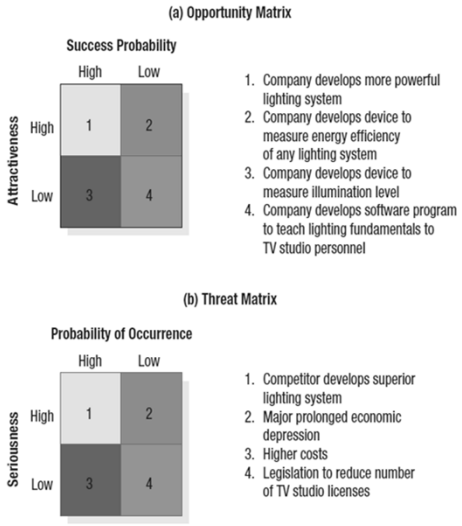
The Business Unit Strategic Planning Process

- The business unit strategic-planning process consists of the steps shown in Figure 2.
- Each business unit needs to define its specific mission within the broader company mission.
- The overall evaluation of a company's strengths, weaknesses, opportunities, and threats is called SWOT analysis. It's a way of monitoring the external and internal marketing environment.
- 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.
- Goals indicate what a business unit wants to achieve; strategy is a game plan for getting there. Every business must design a strategy for achieving its goals, consisting of a marketing strategy and a compatible technology strategy and sourcing strategy.
- Even a great marketing strategy can be sabotaged by poor implementation. If the unit has decided to attain technological leadership, it must strengthen its R&D department, gather technological intelligence, develop leading-edge products, train its technical sales force, and communicate its technological leadership.
- Once they have formulated marketing programs, marketers must estimate their costs.

Market Opportunity Analysis (MOA)

- To evaluate opportunities, companies can use market opportunity analysis (MOA) to ask questions like these:
- Can the benefits involved in the opportunity be articulated convincingly to a defined target market?
- Can the target market be located and reached with cost-effective media and trade channels?
- Does the company possess or have access to the critical capabilities and resources needed to deliver the customer benefits?
- Can the company deliver the benefits better than any actual or potential competitors?
- Will the financial rate of return meet or exceed the company's required threshold for investment?

Opportunity and Threat Matrices



By using the SWOT analysis and market opportunity analysis, we can create opportunity and threat matrices.

In the opportunity matrix in the figure, the **best** marketing opportunities facing the TV-lighting-equipment company appear in the upper-left cell (#1). The opportunities in the lower-right cell (#4) are too minor to consider. The opportunities in the upper-right cell (#2) and the lower-left cell (#3) are worth monitoring in the event that any improve in attractiveness and potential.

Porter's Generic Strategies

Michael Porter has proposed three generic strategies that provide a good starting point for strategic thinking: overall cost leadership, differentiation, and focus.

With overall *cost leadership*, firms work to achieve the lowest production and distribution costs so they can underprice competitors and win market share.

With *differentiation*, the business concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market.

With *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.

Overall Cost Leadership

Differentiation

Focus: In adopting a narrow focus, the company ideally focuses on a few target Markets (also called a segmentation strategy or niche strategy). In adopting a broad focus scope, the principle is the same: the firm must ascertain the needs and wants of the mass market, and compete either on price (low cost) or differentiation (quality, brand and customization) depending on its resources and capabilities.

Categories of Marketing Alliances

- Product or Service Alliances
- Promotional Alliances
- Logistics Alliances
- Pricing Collaborations

Even giant companies often cannot achieve leadership, either nationally or globally, without forming alliances with domestic or multinational companies that complement or leverage their capabilities and resources.

Many strategic alliances take the form of marketing alliances. These fall into four major categories.

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

Marketing Plan Contents

- ✓ Executive summary
- ✓ Table of contents
- ✓ Situation analysis
- ✓ Marketing strategy
- ✓ Financial projections
- ✓ Implementation controls

❖**Review Question**

1. A holistic marketing orientation can provide insight into the process of capturing customer value and is designed to address three key management questions. Define holistic marketing and describe each of these key management questions.
2. List and define Porter's generic strategies.