

Principles of Marketing

Session 2

Strategic Planning and the Marketing Process



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Today's Learning Objectives



- Describe strategic planning and the three organizational levels of strategy.
- Describe why business, mission, organizational culture, and goals are important in organizations.
- Explain how organizations set strategic directions by assessing where they are now and seek to be in the future.
- Describe the strategic marketing process and its three key phases: planning, implementation, and control.
- Explain how the marketing mix elements are blended into a cohesive marketing program.

Strategic Planning

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

What for? - To achieve a **profit**

A Profit is a reward to a business firm for the risk it undertakes in offering a product for sale.



Strategic Planning

Many companies operate without formal plans, yet strategic planning provides many benefits such as:

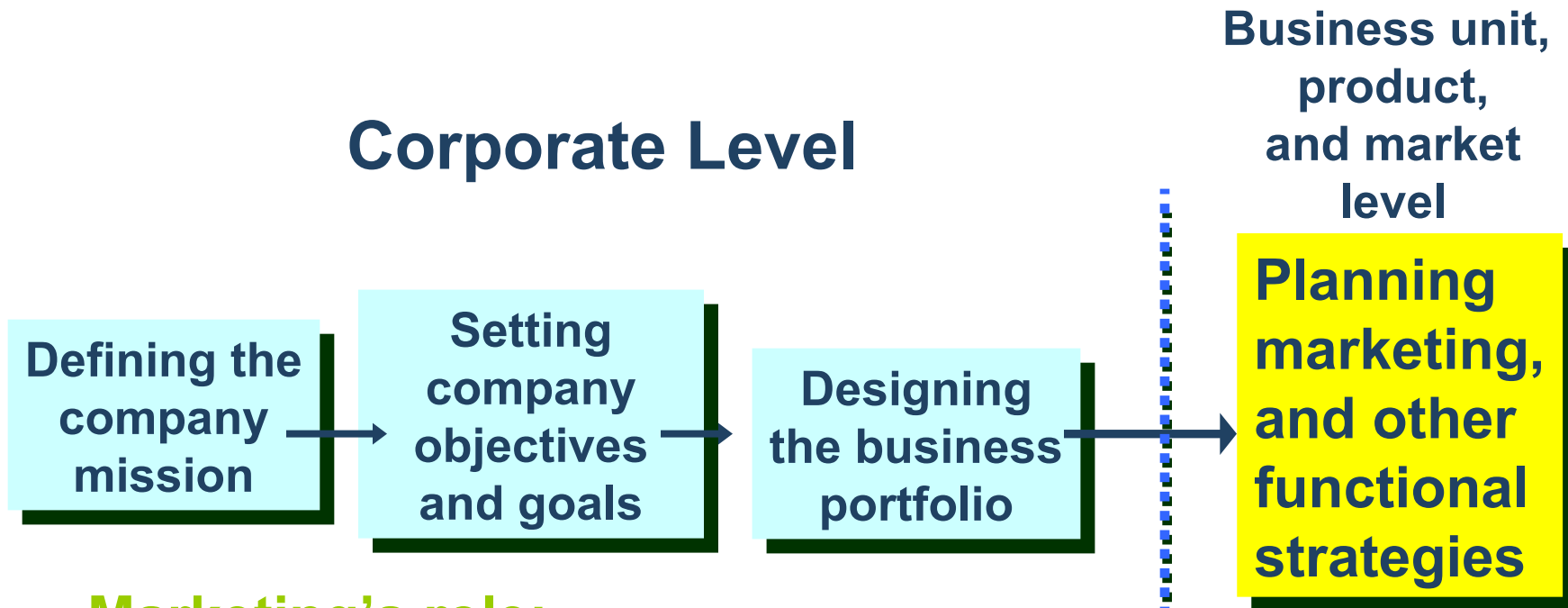
- ❑ Encouraging management to **think ahead** systematically.
- ❑ Forcing managers to **clarify** objectives and policies.
- ❑ Better **coordination** of company efforts, and clearer performance standards for control.
- ❑ Helping the company to **anticipate** and **respond quickly** to environmental changes and sudden developments.



ORGANIZATIONS AND THEIR LEVELS OF STRATEGY

- Levels in Organizations and How Marketing Links to Them
 - Corporate Level
 - Strategic Business Unit (SBU)
 - Business Unit Level
 - Functional Level
 - Department

Steps in Strategic Planning



Marketing's role:

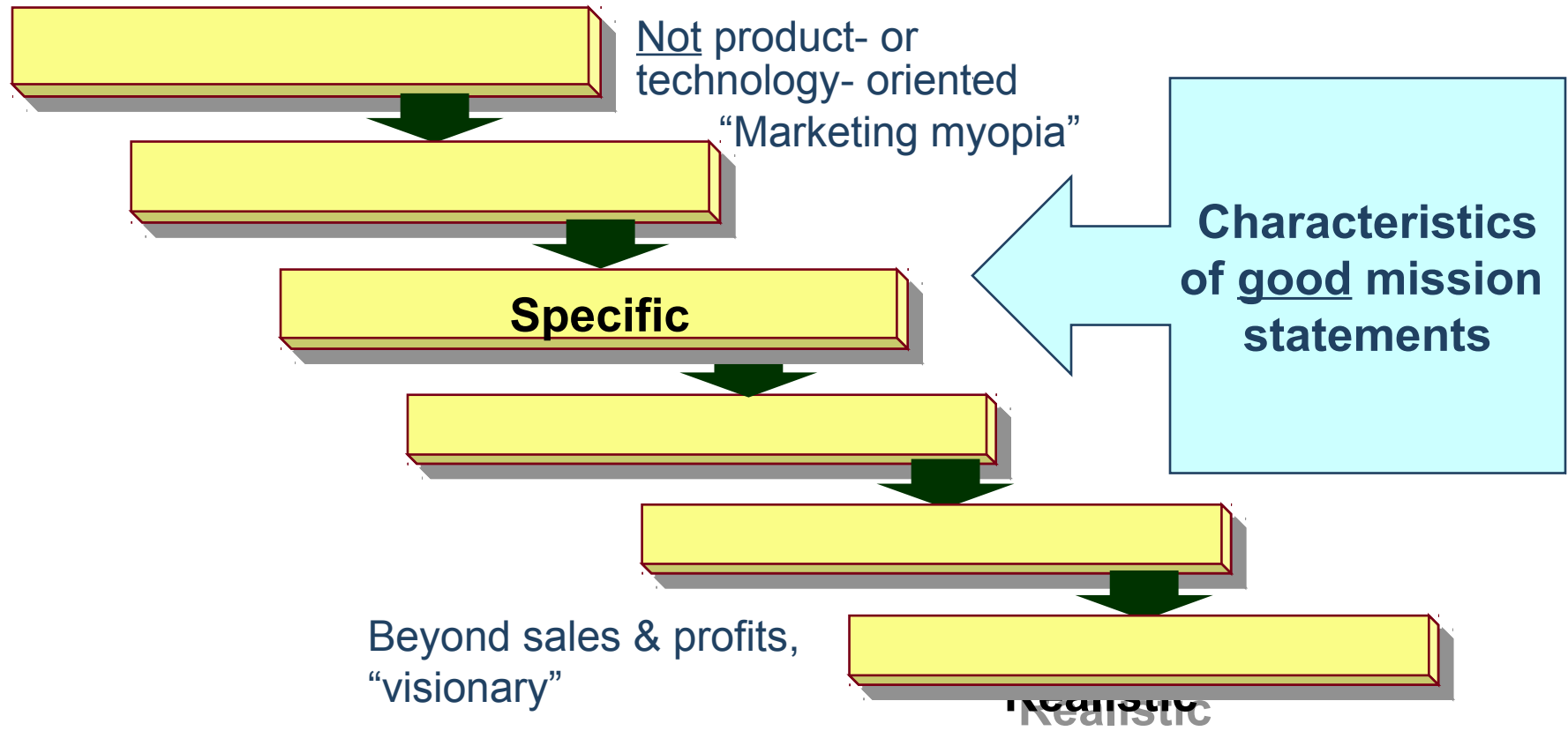
- Guiding philosophy (customer orientation)
- Inputs to planning
- Marketing strategy

The three levels of strategy in organizations: corporate, business unit, and functional



Defining the Company's Business & Mission

Mission Statement = statement of organization's purpose



Objectives & strategies follow from the mission statement

Sample Mission Statements



- ❑ **PEPSI** - "Beat Coke"
- ❑ **NIKE** - "Crush Reebok"
- ❑ **HONDA** - "We will crush, squash, and slaughter Yamaha"
- ❑ **Wal-Mart** - "To give ordinary folk the chance to buy the same thing as rich people."
- ❑ **3M** - "To solve unsolved problems innovatively"
- ❑ **Sony** (1950's) - "Become the company most known for changing the worldwide poor-quality image of Japanese products"
- ❑ **Boeing** (1950) - "Become the dominant player in commercial aircraft and bring the world into the jet age"
- ❑ **Ford Motor Company** (early 1900's) - "Ford will democratize the automobile"

Sample Mission Statements



- **Merck - "To preserve and improve human life."**
 - Corporate social responsibility
 - Unequivocal excellence in all aspects of the company
 - Science-based innovation
 - Honesty & integrity
 - Profit, but profit from work that benefits humanity

- **Walt Disney - "To make people happy."**
 - No cynicism
 - Nurturing and promulgation of "wholesome American values"
 - Creativity, dreams and imagination
 - Fanatical attention to consistency and detail
 - Preservation and control of the Disney "magic"

ORGANIZATIONS AND THEIR LEVELS OF STRATEGY

□ Strategy Issues in Organizations

■ Goals or Objectives

- Profit
- Sales
- **Market Share**
- Quality
- Customer Satisfaction
- Employee Welfare
- Social Responsibility

SETTING STRATEGIC DIRECTIONS

- A Look Around: Where Are We Now?
 - Customers
 - Competencies
 - Competitive Advantage
 - Competitors
- **Growth Strategies: Where Do We Want to Go?**

What are competencies and why are they important?

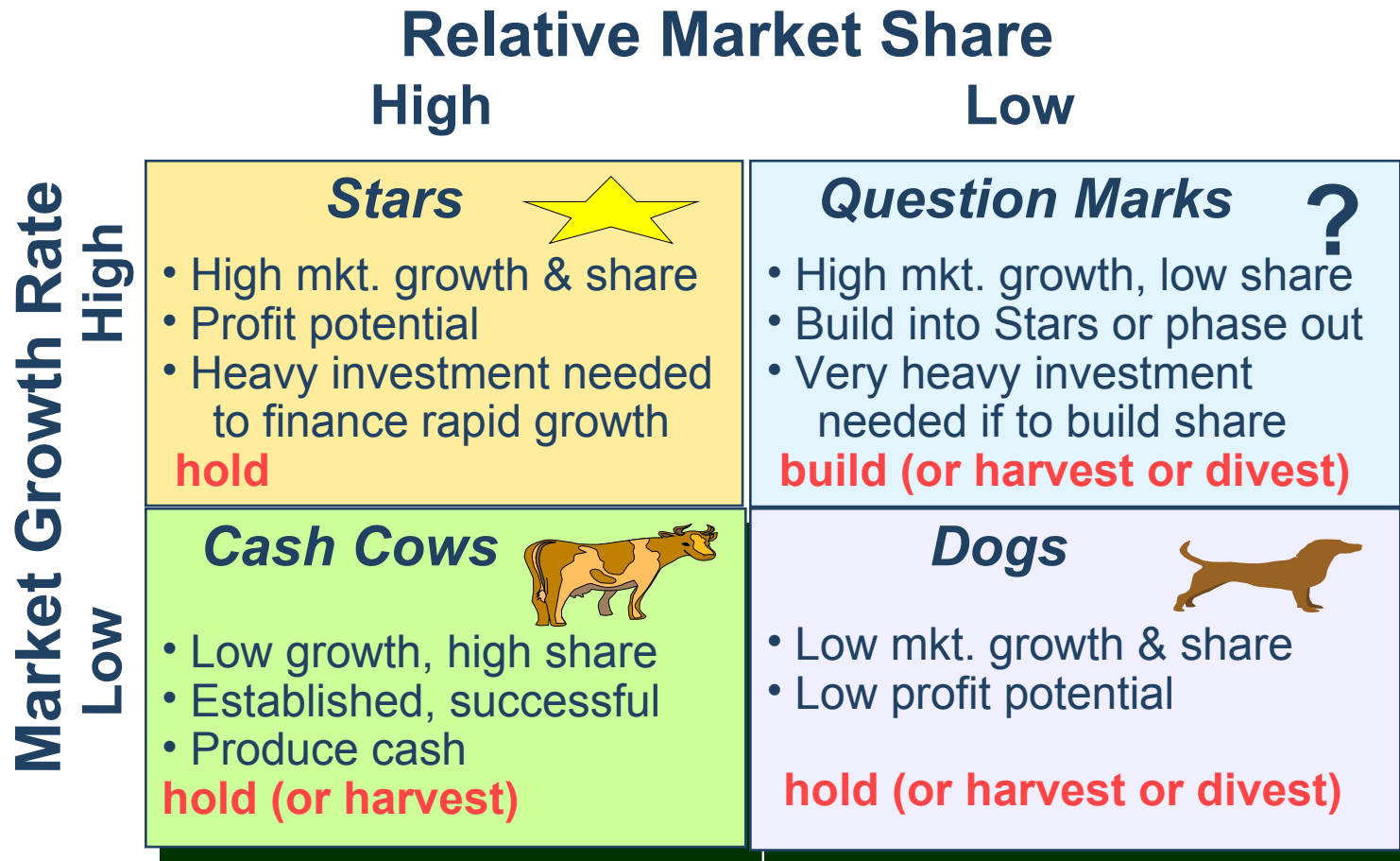
- **Competencies** are an organization's special capabilities, including skills, technologies, and resources that distinguish it from other organizations, which if exploited, can lead to the organization's success.
- Should provide a **competitive advantage**.



Designing the Business Portfolio

- The business portfolio is the collection of businesses and products that make up the company.
- The company must:
 - analyze its current business portfolio or Strategic Business Units (SBU's)
 - decide which SBU's should receive more, less, or no investment
 - develop growth strategies for adding new products or businesses to the portfolio

Analyzing Current SBU's: Boston Consulting Group Approach "Growth-Share Matrix"



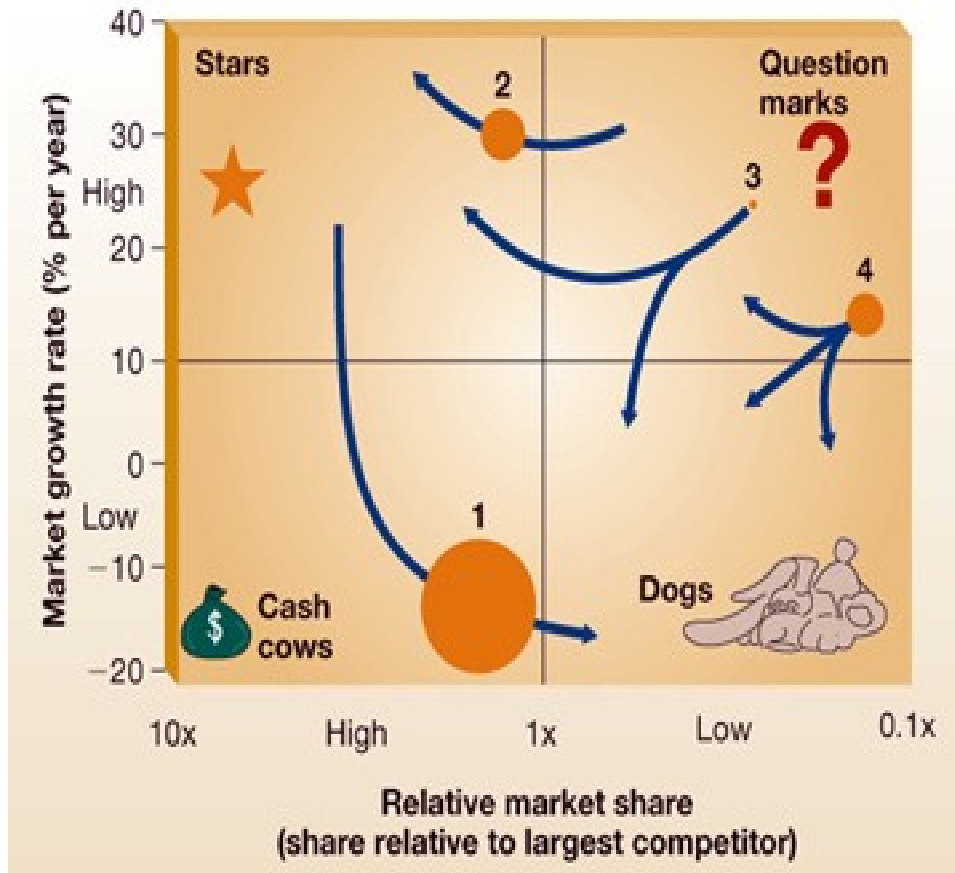
Boston Consulting Group portfolio analysis for Kodak



Kodak digital camera



Kodak film sales: US, Canada, & W. Europe

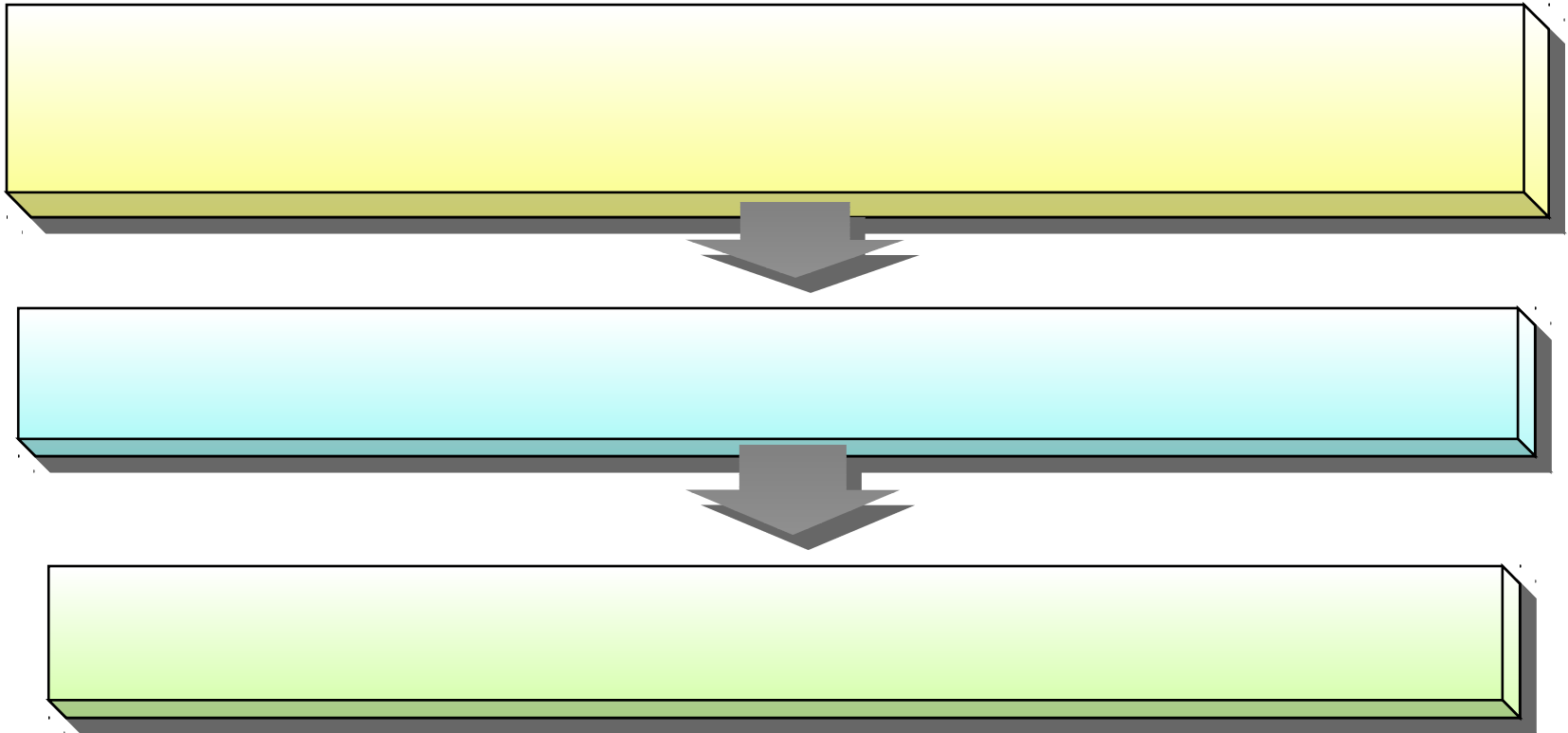


Kodak digital photo printer



Kodak self-service kiosk

Problems With Matrix Approaches



SETTING STRATEGIC DIRECTIONS

- **Growth Strategies:** Where Do We Want to Go?

- **Market-Product Analysis:**
View growth opportunities in terms of markets and products.
 - **Market Penetration**
 - **Market Development**
 - **Product Development**
 - **Diversification**



Growth Strategies

Product / Market Expansion Grid



**Existing
Markets**

**New
Markets**

Existing Products

New Products

1. Market Penetration

More usage
Competitors' customers
Nonusers

3. Product Development

Product extensions
New products

2. Market Development

New demographic
New geographic

4. Diversification

Product / Market Expansion Grid

- Market Penetration: selling more to current customer markets without changing products.
 - **How?** Add new stores in current market areas, improve advertising, prices, service, packaging, store design, etc.

- Market Development: developing new markets for current products.
 - **How?** Identify new demographic or geographic markets.

Product / Market Expansion Grid

- Product Development: offering modified or new products to current markets.
 - **How?** New styles, flavors, versions, etc. New complementary products.

- Diversification: new products for new markets.
 - **How?** Start up or buy new businesses.

Four market-product strategies

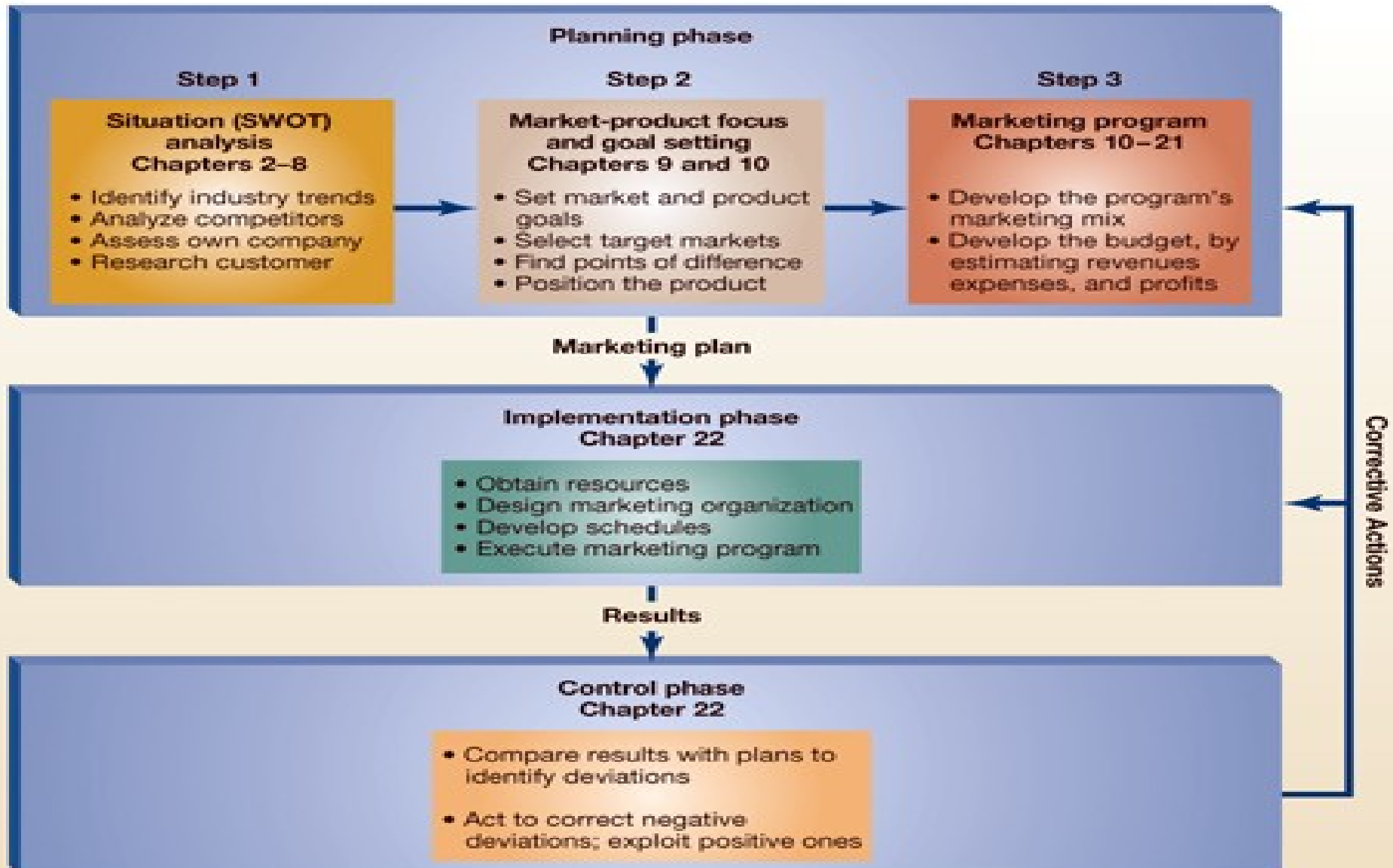
Markets	PRODUCTS	
	Current	New
Current	Market penetration Selling more Ben & Jerry's super premium ice cream to Americans	Product development Selling a new product such as children's clothing under the Ben & Jerry's brand to Americans
New	Market development Selling more Ben & Jerry's super premium ice cream in South American markets for the first time	Diversification Selling a new product such as children's clothing in South American markets for the first time

THE STRATEGIC MARKETING PROCESS

- How do we allocate our resources to get where we want to go?
- How do we convert our plans to actions?
- How do our results compare with our plans, and do deviations require new plans?
 - **Strategic Marketing Process**
 - **Marketing Plan**



THE STRATEGIC MARKETING PROCESS



THE STRATEGIC MARKETING PROCESS

□ Strategic Marketing Process: The Planning Phase

■ Step 1: Situation (SWOT) Analysis

- Situation Analysis

- SWOT Analysis

- Strengths

- Weaknesses

- Opportunities

- Threats

Ben & Jerry's: a SWOT analysis to get it growing again

Location of Factor	TYPE OF FACTOR	
	Favorable	Unfavorable
Internal	<p>Strengths</p> <ul style="list-style-type: none"> • Prestigious, well-known brand name among U.S. consumers • 40 percent share of the U.S. super premium ice cream market • Can complement Unilever's existing ice cream brands • Widely recognized for its social responsibility actions 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Danger that B&J's social responsibility actions may add costs, reduce focus on core business • Need for experienced managers to help growth • Flat sales and profits in recent years
External	<p>Opportunities</p> <ul style="list-style-type: none"> • Growing demand for quality ice cream in overseas markets • Increasing U.S. demand for frozen yogurt and other low-fat desserts • Success of many U.S. firms in extending successful brand in one product category to others 	<p>Threats</p> <ul style="list-style-type: none"> • Consumer concern with fatty desserts; B&J customers are the type who read new government-ordered nutritional labels • Competes with giant Pillsbury and its Haagen-Dazs brand • International downturns increase the risks for B&J in European and Asian markets

THE STRATEGIC MARKETING PROCESS

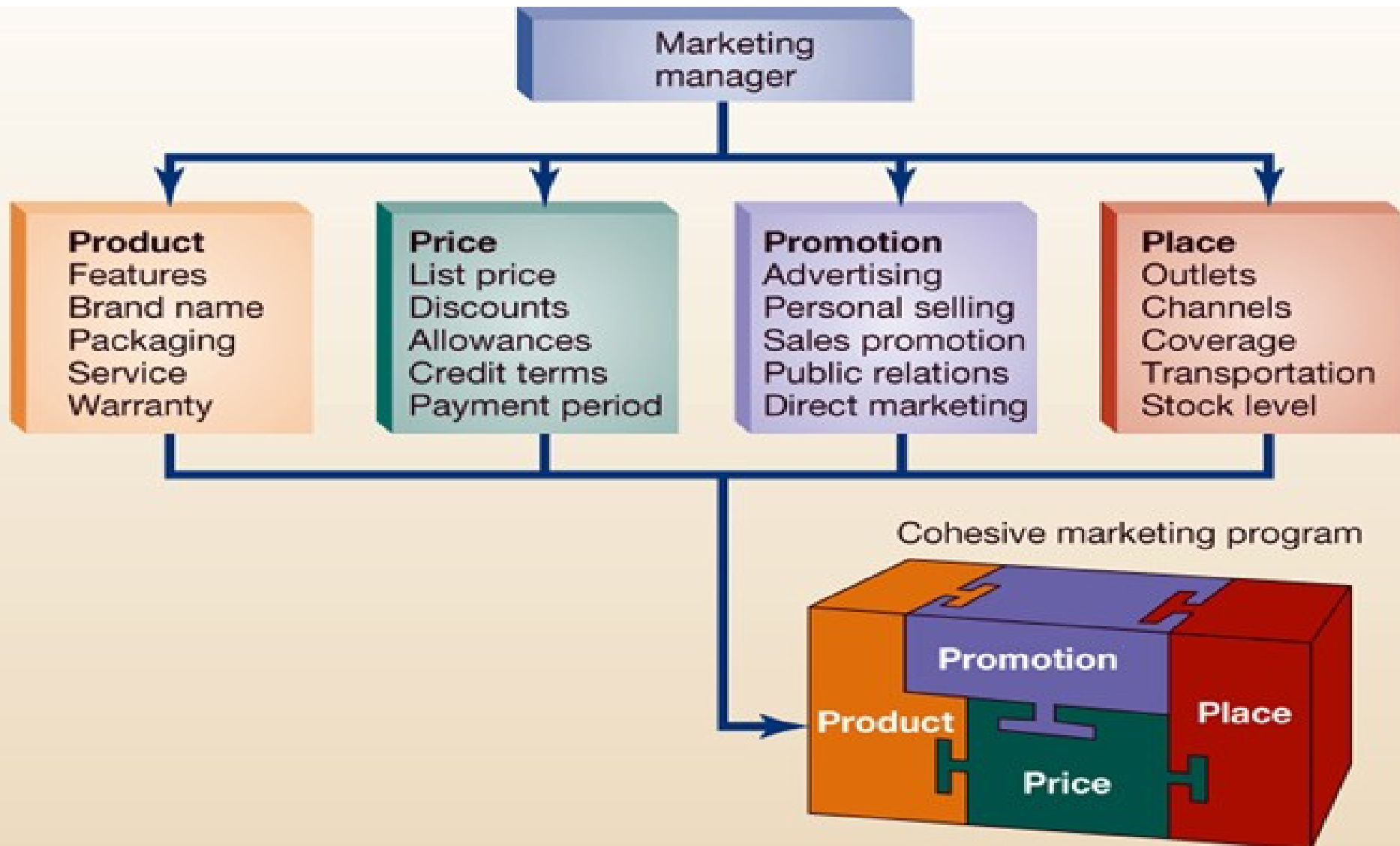
□ Strategic Marketing Process: The Planning Phase

- **Step 2: Market-Product Focus and Goal Setting**
 - **Market Segmentation**
 - **Set Marketing and Product Goals**
 - **Select Target Markets**
 - **Find Points of Difference**
 - **Position the Product**

THE STRATEGIC MARKETING PROCESS

- **Strategic Marketing Process:
The Planning Phase**
 - **Step 3: Marketing Program**
 - **Product Strategy**
 - **Price Strategy**
 - **Promotion Strategy**
 - **Place (Distribution) Strategy**

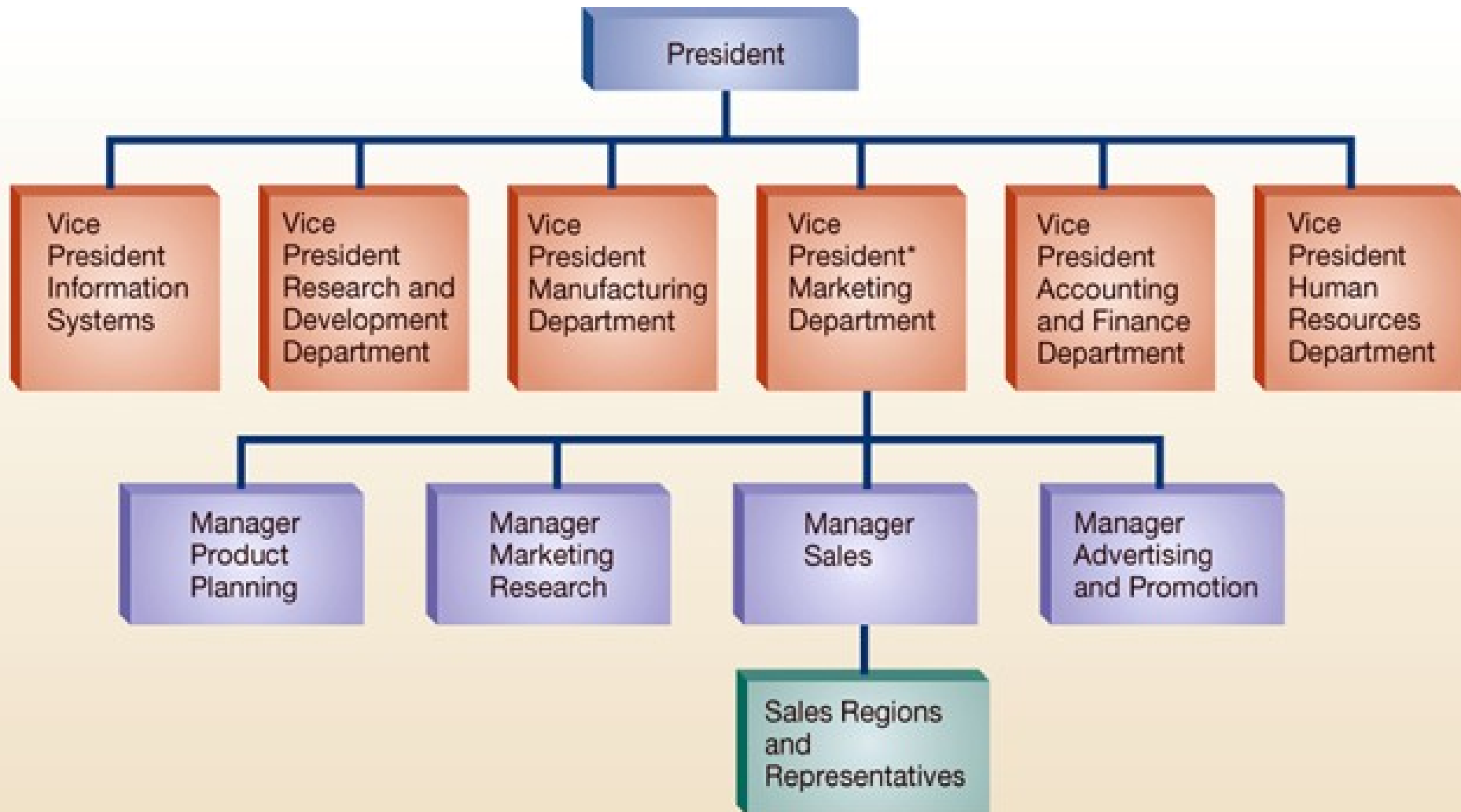
Elements of the marketing mix that comprise a cohesive marketing program



THE STRATEGIC MARKETING PROCESS

- **Strategic Marketing Process:
The Implementation Phase**
 - **Obtaining Resources**
 - **Designing the Marketing Organization**
 - **Developing Schedules**

Organization of a typical manufacturing firm showing a breakdown of the marketing department



*Called chief marketing officer (CMO) in some corporations

THE STRATEGIC MARKETING PROCESS

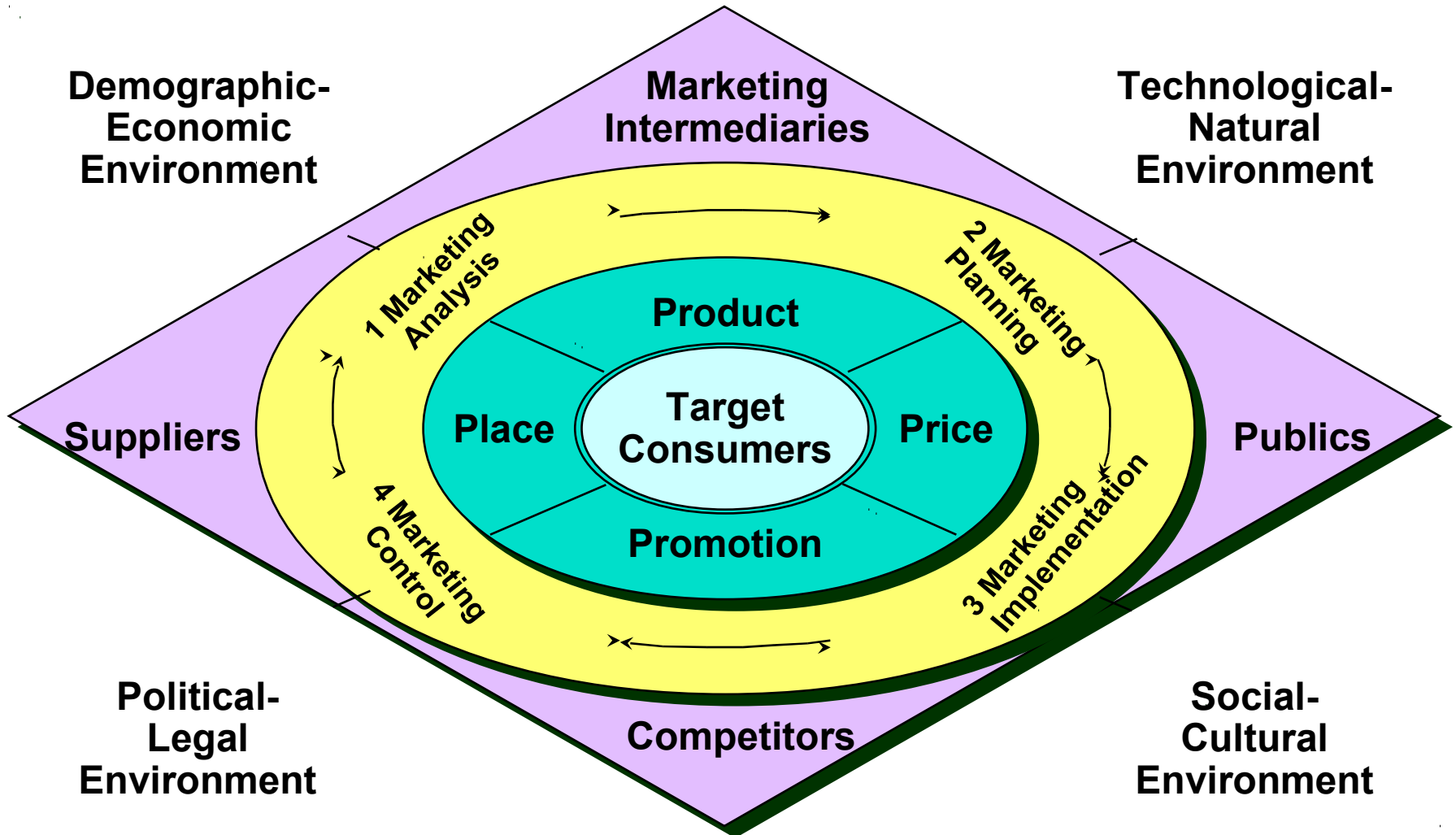
- **Strategic Marketing Process:
The Implementation Phase**
 - **Executing the Marketing Program**
 - **Marketing Strategy**
 - **Marketing Tactics**



THE STRATEGIC MARKETING PROCESS

- **Strategic Marketing Process:
The Control Phase**
 - **Comparing Results With Plans to Identify Deviations**
 - **Planning Gap**
 - **Acting on Deviations**
 - **Exploiting a Positive Deviation**
 - **Correcting a Negative Deviation**

The Marketing Process



Elements in typical marketing and business plans targeted at different audiences

Element of the plan	Marketing plan		Business plan	
	For internal audience (to direct the firm)	For external audience (to raise capital)	For internal audience (to direct the firm)	For external audience (to raise capital)
1. Executive summary	✓	✓	✓	✓
2. Description of company		✓		✓
3. Strategic plan/focus		✓		✓
4. Situation analysis	✓	✓	✓	✓
5. Market-product focus	✓	✓	✓	✓
6. Marketing program strategy and tactics	✓	✓	✓	✓
7. R&D and operations program			✓	✓
8. Financial projections	✓	✓	✓	✓
9. Organization structure		✓		✓
10. Implementation plan	✓	✓	✓	✓
11. Evaluation and control	✓		✓	
Appendix A: Biographies of key personnel		✓		✓
Appendix B, etc.: Details on other topics	✓	✓	✓	✓

Results of good and bad marketing planning and implementation

MARKETING PLANNING AND STRATEGY

Marketing
implementation

Good (appropriate)

Bad (inappropriate)

Good (effective)

1. *Success*: Marketing program achieves its objectives.

2. *Trouble*: Solution is to recognize that only the strategy is at fault and to correct it.

Bad (ineffective)

3. *Trouble*: Solution is to recognize that only implementation is at fault and to correct it.

4. *Failure*: Marketing program flounders and fails to achieve its objectives.

THE END

□ Any questions?

□ A = Ask

□ S = Seek

□ K = Knock

