Chapter 2: Strategic Planning for Competitive Advantage

Learning Outcomes

LO1 Understand the importance of strategic marketing and know a basic outline for a marketing plan
LO2 Develop an appropriate business mission statement
LO3 Explain the components of a situation analysis
Learning Outcomes

LO4 Explain the criteria for stating good marketing objectives
LO5 Identify sources of competitive advantage
LO6 Identify strategic alternatives
LO7 Discuss target market strategies

Learning Outcomes

LO8 Describe the elements of the marketing mix
LO9 Explain why implementation, evaluation, and control of the marketing plan are necessary
LO10 Identify several techniques that help make strategic planning effective

The Nature of Strategic Planning

LO1 Understand the importance of strategic marketing and know a basic outline for a marketing plan.
Strategic Planning

The managerial process of creating and maintaining a fit between the organization's objectives and resources and evolving market opportunities.

The goal is long-term profitability and growth.

LO1

Strategic Marketing Management

What is the organization's main activity?
How will it reach its goals?

THE ANSWER IS A MARKETING PLAN.

LO1

Marketing Planning

Marketing Plan- A written document that acts as a guidebook for the marketing manager.

LO1
Why Write a Marketing Plan?

- Provides a basis for comparison of actual and expected performance
- Provides clearly stated activities to work toward common goals
- Provides an examination of the marketing Environment
- Serves as a reference for the success of future activities
- Allows entry into the marketplace with awareness

Marketing Plan Elements

- Business Mission Statement
- Situation or SWOT Analysis
- Objectives
- Marketing Strategy
- Target Market Strategy
- Marketing Mix
  - Product
  - Distribution
  - Promotion
  - Price
- Implementation
- Evaluation
- Control

Review Learning Outcome

The Importance of Strategic Marketing

- What
  - Strategic Planning
- Why
  - Long-term profitability and growth
- How
  - Write a marketing plan
Defining the Business Mission

**LO²**

Develop an appropriate business mission statement.

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**Defining the Business Mission**

- Answers the question, “What business are we in?”
- Focuses on the market(s) rather than the good or service
- Strategic Business Units (SBUs) may also have a mission statement

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**Norco Mission Statement**

“We are dedicated to building rewarding, long-term relationships with our Customers, our Employees, and our Suppliers. We are driven by our customers to supply innovative cycle products and outstanding service and marketing support that will promote their growth and success.”
**Strategic Business Units (SBUs)**

Characteristics:
An SBU HAS…

- A distinct mission and specific target market
- Control over its resources
- Its own competitors
- Plans independent of other SBUs

**LO2**

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**Review Learning Outcome**

**Business Mission Statement**

Q: What business are we in?
A: Business mission statement

- Too narrow
- Too broad
- Just right

- marketing myopia
- no direction
- focus on markets served and benefits customers seek

**LO2**

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**Conducting a Situation Analysis**

**LO3**

Explain the components of a situation analysis.
LO3

conducting a situation analysis

SWOT analysis - identifying internal strengths (S) and weaknesses (W) and also examining external opportunities (O) and threats (T).

LO3

SWOT analysis

S: things the company does well.
W: things the company does not do well.
O: conditions in the external environment that favor strengths.
T: conditions in the external environment that do not relate to existing strengths or favor areas of current weakness.

LO3

environmental scanning

environmental scanning - collection and interpretation of information about forces, events, and relationships in the external environment that may affect the future of the organization or the implementation of the marketing plan.
Review Learning Outcome
Components of a Situation Analysis

**Strengths**
- production costs
- marketing skills
- financial resources
- image
- technology

**Weaknesses**

Setting Marketing Plan Objectives

Explain the criteria for stating good marketing objectives.

Marketing Objective

A statement of what is to be accomplished through marketing activities.
Marketing Objectives

- Realistic
- Measurable
- Time specific
- Compared to a benchmark

“Our objective is to increase sales of Purina brand cat food by 15 percent over 2009 sales of $300 million.”

LO4 Review Learning Outcome

Criteria for Good Marketing Objectives

Realistic, measurable, and time-specific objectives consistent with the firm’s objectives:

1. Communicate marketing management philosophy
2. Provide management direction
3. Motivate employees
4. Force executives to think clearly
5. Allow for better evaluation of results

Competitive Advantage

Identify sources of competitive advantage.
Competitive Advantage

The set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.

Types of Competitive Advantage
- Cost
- Product/Service Differentiation
- Niche Strategies

Cost Competitive Advantage

Cost Competitive Advantage - Being the low-cost competitor in an industry while maintaining satisfactory profit margins.
Cost Competitive Advantage

- Obtain inexpensive raw materials
- Create efficient plant operations
- Design products for ease of manufacture
- Control overhead costs
- Avoid marginal customers

Sources of Cost Reduction

- Experience Curves
- Efficient Labour
- No-frills Goods and Services
- Government Subsidies
- Product Design
- Reengineering
- Production Innovations
- New Service Delivery Methods

Product/Service Differentiation

The provision of something that is unique and valuable to buyers beyond simply offering a lower price than the competition's.
Examples of Product/Service Differentiation

- Brand names
- Strong dealer network
- Product reliability
- Image
- Service

Niche Competitive Advantage

Niche Competitive Advantage: The advantage when a firm seek to get and effectively serve a single segment of the market.

- Used by small companies with limited resources
- May be used in a limited geographic market
- Product line may be focused on a specific product category
Sources of Sustainable Competitive Advantage

- Patents
- Copyrights
- Locations
- Equipment
- Technology
- Customer Service
- Promotion

Skills and Assets of an Organization

LO5

Review Learning Outcome

Sources of Competitive Advantage

Cost
Product/Service Differentiation A vs. B vs. C
Niche Strategies

LO5

Strategic Directions

Identify strategic alternatives.
Strategic Alternatives

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Penetration</td>
<td>Increase market share among existing customers</td>
</tr>
<tr>
<td>Market Development</td>
<td>Attract new customers to existing products</td>
</tr>
<tr>
<td>Product Development</td>
<td>Create new products for present markets</td>
</tr>
<tr>
<td>Diversification</td>
<td>Introduce new products into new markets</td>
</tr>
</tbody>
</table>

Ansoff’s Strategic Opportunity Matrix

<table>
<thead>
<tr>
<th>Present Product</th>
<th>New Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present Market</td>
<td>Market Penetration Product Development</td>
</tr>
<tr>
<td>New Market</td>
<td>Market Development Diversification</td>
</tr>
</tbody>
</table>

Portfolio Matrix

- Stars
- Problem Children
- Cash Cows
- Dogs
Portfolio Matrix Strategies

- Build
- Hold
- Harvest
- Divest

Review Learning Outcome

Strategic Alternatives

<table>
<thead>
<tr>
<th>Identify strategic alternatives</th>
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</thead>
<tbody>
<tr>
<td>Market development</td>
</tr>
<tr>
<td>Market penetration</td>
</tr>
<tr>
<td>Product development</td>
</tr>
<tr>
<td>Diversification</td>
</tr>
</tbody>
</table>

Describing the Target Market

Discuss target market strategies.
Marketing Strategy

Marketing Strategy - The activities of selecting and describing one or more target markets and developing and maintaining a market mix that will produce mutually satisfying exchanges with target markets.

Target Market Strategy

• Segment the market based on groups with similar characteristics
• Analyze the market based on attractiveness of market segments
• Select one or more target markets

Target Market Strategy

- Appeal to the entire market with one marketing mix
- Concentrate on one marketing segment
- Appeal to multiple markets with multiple marketing mixes
Review Learning Outcome
Target Market Strategies

Target Market Options

<table>
<thead>
<tr>
<th>Entire Market</th>
<th>Multiple Markets</th>
<th>Single Market</th>
</tr>
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The Marketing Mix

Describe the elements of the marketing mix.

A unique blend of product, place (distribution), promotion, and pricing strategies designed to produce mutually satisfying exchanges with a target market.
Marketing Mix: The “Four Ps”

**Price**

**Promotion**

**Place**

**Product**

LO8

The starting point of the “4 Ps”

Includes
- Physical unit
- Package
- Warranty
- Service
- Brand
- Image
- Value

Products can be...
- Tangible goods
- Ideas
- Services

LO8

Marketing Mix: The “Four Ps”

Distribution

Product available where and when customers want them

All activities from raw materials to finished products

Ensure products arrive in usable condition at designated places when needed

LO8

Marketing Mix: The “Four Ps”

Marketing Mix: The “Four Ps”

Marketing Mix: The “Four Ps”
Promotion

Role is to bring about exchanges with target markets by:
- Informing
- Educating
- Persuading
- Reminding

Includes integration of:
- Personal selling
- Advertising
- Sales promotion
- Public relations

Price

Price is what a buyer must give up to obtain a product.

The most flexible of the “4 Ps”—quickest to change

Competitive weapon

Price x Units Sold = Total Revenue

Review Learning Outcome
Elements of the Marketing Mix
Following Up on the Marketing Plan

Explain why implementation, evaluation, and control of the marketing plan are necessary.

Following Up on the Marketing Plan

• Implementation
• Evaluation
• Control
• Marketing audit is…
  • Comprehensive
  • Systematic
  • Independent
  • Periodic

Review Learning Outcome

Implementation, Evaluation, and Control

Product
Place
Promotion
Price

Evaluation

Met objectives?

Audits
• comprehensive
• systematic
• independent
• periodic
Effective Strategic Planning

LO10

Identify several techniques that help make strategic planning effective.

Effective Strategic Planning

• Effective Strategic Planning requires...
  
  • Continual attention – ongoing rather than annual
  • Creativity – challenging assumptions
  • Management Commitment – support and participation from the top

Review Learning Outcome

Techniques for Effective Strategic Planning

Continual attention  Creativity  Management commitment

Effective Strategic Planning