Developing Marketing Strategies and Plans
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?
Figure 2.1 The Value Delivery Process

(a) Traditional Physical Process Sequence
- Make the product
  - Design product
  - Procure
  - Make
- Sell the product
  - Price
  - Sell
  - Advertise/promote
  - Distribute
  - Service

(b) Value Creation and Delivery Sequence
- Choose the value
  - Customer segmentation
  - Market selection/focus
  - Value positioning
- Provide the value
  - Product development
  - Service development
  - Pricing
  - Sourcing
  - Distributing
- Communicate the value
  - Making
  - Servicing
  - Sales force
  - Sales promotion
  - Advertising

Strategic Marketing
Tactical Marketing
Nike Creates Value
Improving Value Delivery the Japanese Way

- 0 customer feedback time
- 0 product improvement time
- 0 purchasing time
- 0 setup time
- 0 defects
3 V’s Approach to Marketing

- Define the value segment
- Define the value proposition
- Define the value network
Figure 2.2 Porter’s Value Chain
Benchmarks

- Organizational costs and performance measures
- Competitor costs and performance measures
Core Business Processes

- Market sensing
- New offering Realization/research
- Customer acquisition
- Customer relationship management
- Fulfillment management
Wal-Mart’s stock replenishment process is legendary.
Characteristics of Core Competencies

- A source of competitive advantage
- Applications in a wide variety of markets
- Difficult to imitate
Netflix’s Distinctive Capabilities
Figure 2.3 A Holistic Marketing Framework
Challenges Facing CMO’s

- Doing more with less
- Driving new business development
- Becoming a full business partner
Levels of a Marketing Plan

- **Strategic**
  - Target marketing decisions
  - Value proposition
  - Analysis of marketing opportunities

- **Tactical**
  - Product features
  - Promotion
  - Merchandising
  - Pricing
  - Sales channels
  - Service
Figure 2.4 The Strategic Planning, Implementation, and Control Processes
Corporate headquarters’ planning activities

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

- Focus on limited number of goals
- Stress major policies and values
- Define major competitive spheres
Major Competitive Spheres

- Industry
- Geographical
- Vertical channels
- Market segment
- Products
- Competence
GE’s breakthroughs in the process of desalination crosses multiple competitive spheres

By 2015, two-thirds of the world will be water-stressed. Desalination plants like this one help to relieve water shortages.
“Our vision is to be the Global Market Share Leader in each of the markets we serve. We will earn this leadership position by providing to our distributor and end-user customers innovative, high-quality, cost-effective and environmentally responsible products. We will add value to these products by providing legendary customer service through our uncompromising Commitment to Customer Satisfaction.”
“The purpose of Motorola is to honorably serve the needs of the community by providing products and services of superior quality at a fair price to our customers; to do this so as to earn an adequate profit which is required for the total enterprise to grow; and by doing so, provide the opportunity for our employees and shareholders to achieve their personal objectives.”
“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.”
<table>
<thead>
<tr>
<th>Company</th>
<th>Product</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missouri-Pacific Railroad</td>
<td>We run a railroad</td>
<td>We are a people- and-goods mover</td>
</tr>
<tr>
<td>Xerox</td>
<td>We make copying equipment</td>
<td>We improve office productivity</td>
</tr>
<tr>
<td>Standard Oil</td>
<td>We sell gasoline</td>
<td>We supply energy</td>
</tr>
<tr>
<td>Columbia Pictures</td>
<td>We make movies</td>
<td>We entertain people</td>
</tr>
</tbody>
</table>
Dimensions That Define A Business

- Customer groups
- Customer needs
- Technology
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 2.5 The Strategic Planning Gap
Figure 2.6
Ansoff’s Product-Market Expansion Grid

<table>
<thead>
<tr>
<th>Current Products</th>
<th>New Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Market-development strategy</td>
<td>(Diversification strategy)</td>
</tr>
</tbody>
</table>
The Growth of Starbucks
Organizations

- Structure
- Policies
- Culture
Merging Corporate Culture?
Figure 2.7 The Business Unit Strategic Planning Process

- Business mission
- SWOT analysis: 
  - External environment (opportunity & threat analysis)
  - Internal environment (strengths/weaknesses analysis)
- Goal formulation
- Strategy formulation
- Program formulation
- Implementation
- Feedback and control
Market Opportunity Analysis (MOA)

- 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?
Market Opportunity Analysis (MOA)_2

• 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?
FedEx added Sunday deliveries based on customer requests and market demand.
Figure 2.8 Opportunity Matrix

(a) Opportunity Matrix

<table>
<thead>
<tr>
<th>Success Probability</th>
<th>Attractiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Low</td>
</tr>
</tbody>
</table>

1. Company develops more powerful lighting system
2. Company develops device to measure energy efficiency of any lighting system
3. Company develops device to measure illumination level
4. Company develops software program to teach lighting fundamentals to TV studio personnel
Figure 2.8 Threat Matrix

(b) Threat Matrix

<table>
<thead>
<tr>
<th>Probability of Occurrence</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seriousness</td>
<td>High</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>4</td>
</tr>
</tbody>
</table>

1. Competitor develops superior lighting system
2. Major prolonged economic depression
3. Higher costs
4. Legislation to reduce number of TV studio licenses
Goal Formulation and MBO

- Requirements for using MBO
  - Unit’s objectives must be hierarchical
  - Objectives should be quantitative
  - Goals should be realistic
  - Objectives must be consistent
Porter’s Generic Strategies

- Overall Cost Leadership
- Differentiation
- Focus
The Star Alliance
Categories of Marketing Alliances

- Product or Service Alliances
- Promotional Alliances
- Logistics Alliances
- Pricing Collaborations
Feedback and Control
Marketing Plan Contents

- Executive summary
- Table of contents
- Situation analysis
- Marketing strategy
- Financial projections
- Implementation controls
Evaluating a Marketing Plan

- Is the plan simple?
- Is the plan specific?
- Is the plan realistic?
- Is the plan complete?
What good is a mission statement?

Take a position:
1. Mission statements are critical to a successful marketing organization.
2. Mission statements rarely provide useful marketing value.
What implications do Porter’s value chain and the holistic marketing orientation model have for marketing planning?