Chapter 2: Strategic Planning for Competitive Advantage

Prepared by David Ferrell, B-books, Ltd.

Designed by Eric Brengle, B-books, Ltd.
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  Describe the components of a situation analysis
Learning Outcomes

- Explain the criteria for stating good marketing objectives
- Identify sources of competitive advantage
- Identify strategic alternatives
- Discuss target market strategies
Learning Outcomes

LO^8 Describe the elements of the marketing mix

LO^9 Explain why implementation, evaluation, and control of the marketing plan are necessary

LO^10 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.
Strategic Marketing Management

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

THE ANSWER IS A MARKETING PLAN.
Marketing Planning

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

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

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Marketing Plan Elements

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

LO^2

Develop an appropriate business mission statement.
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
Southwest Airlines Mission Statement

The mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.

To Our Employees

We are committed to provide our Employees a stable work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of Southwest Airlines. Above all, Employees will be provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every Southwest Customer.

Source: http://www.southwestairlines.com/about_swa/mission
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
Q: What business are we in?

A: Business mission statement

Too narrow → marketing myopia
Too broad → no direction
Just right → focus on markets served and benefits customers seek
Conducting a Situation Analysis

LO3

Describe the components of a situation analysis.
Conducting a Situation Analysis

SWOT Analysis- Identifying internal strengths and weaknesses and also examining external opportunities and threats.
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.
Environmental Scanning - The 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

- Opportunities
  - social
  - demographic
  - economic
  - technological
  - political/legal
  - competitive

- Threats
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.”
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.

LO^5
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.
Competitive Advantage

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 Labor
- 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.
Niche Competitive Advantage

• 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
Sources of Competitive Advantage

- Cost $  
- Product/Service Differentiation A vs. B vs. C  
- Niche Strategies
Strategic Directions

Identify strategic alternatives.

LO^6
## Strategic Alternatives

<table>
<thead>
<tr>
<th>Market Penetration</th>
<th>Increase market share among existing customers</th>
</tr>
</thead>
<tbody>
<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></th>
<th>Present Product</th>
<th>New Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present Market</td>
<td>Market Penetration</td>
<td>Product Development</td>
</tr>
<tr>
<td>New Market</td>
<td>Market Development</td>
<td>Diversification</td>
</tr>
</tbody>
</table>
## Portfolio Matrix

<table>
<thead>
<tr>
<th></th>
<th>Stars</th>
<th>Problem Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Cows</td>
<td></td>
<td>Dogs</td>
</tr>
</tbody>
</table>

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Portfolio Matrix Strategies

- Build
- Hold
- Harvest
- Divest
**LO6**

### Review Learning Outcome

#### Strategic Alternatives

<table>
<thead>
<tr>
<th>Strategic Alternative</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market development</td>
<td>= customers</td>
</tr>
<tr>
<td>Market penetration</td>
<td>= share</td>
</tr>
<tr>
<td>Product development</td>
<td>= products</td>
</tr>
<tr>
<td>Diversification</td>
<td>= new products + new markets</td>
</tr>
</tbody>
</table>

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Describing the Target Market

LO7

Discuss target market strategies.
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

Entire Market

Multiple Markets

Single Market
Describe the elements of the marketing mix.

LO8
The Marketing Mix

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

- The starting point of the “4 Ps”
- Includes
  - Physical unit
  - Package
  - Warranty
  - Service
  - Brand
  - Image
  - Value

- Products can be...
  - Tangible goods
  - Ideas
  - Services
Marketing Mix: The “Four Ps”

- Product availability 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
Marketing Mix: The “Four Ps”

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

Promotion

- Includes integration of:
  - Personal selling
  - Advertising
  - Sales promotion
  - Public relations
Marketing Mix: The “Four Ps”

- 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 \times \text{Units Sold} = \text{Total Revenue}
Review Learning Outcome

Elements of the Marketing Mix

Marketing Mix

- Product
- Place
- Price
- Promotion
Following Up on the Marketing Plan

**LO**

Explain why implementation, evaluation, and control of the marketing plan are necessary.
Following Up the Marketing Plan

• Implementation

• Evaluation

• Control

• Marketing audit is…
  • Comprehensive
  • Systematic
  • Independent
  • Periodic
Review Learning Outcome

Implementation, Evaluation, and Control

Implementation

- Product
- Place
- Promotion
- Price

Evaluation

Met objectives?

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

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