

Chapter 2 Strategic Planning for Competitive Advantage

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LEARNING OUTCOMES

- 2-1 Understand the importance of strategic planning
- 2-2 Define strategic business units (SBUs)
- 2-3 Identify strategic alternatives and know a basic outline for a marketing plan
- 2-4 Develop an appropriate business mission statement

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LEARNING OUTCOMES

- 2-5 Describe the components of a situation analysis
- 2-6 Identify sources of competitive advantage
- 2-7 Explain the criteria for stating good marketing objectives
- 2-8 Discuss target market strategies

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LEARNING OUTCOMES

- 2-9 Describe the elements of the marketing mix
- 2-10 Explain why implementation, evaluation, and control of the marketing plan are necessary
- 2-11 Identify several techniques that help make strategic planning effective

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2-1

The Nature of Strategic Planning

**Understand the
importance of strategic
marketing and know
a basic outline for
a marketing plan**

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Strategic Planning is...

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

Strategic marketing management
addresses two questions:

- What is the organization's main activity at a particular time?
- How will it reach its goals?

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Strategic Business Units

**Define Strategic
Business Units
(SBUs)**

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Characteristics of Strategic Business Units (SBUs)

An SBU has...

- ◆ A distinct mission and specific target market
- ◆ Control over its resources
- ◆ Its own competitors
- ◆ A single business or a collection of related businesses
- ◆ Plans independent of other SBUs

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2-3

Strategic Alternatives

Identify strategic alternatives

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Ansoff's Opportunity Matrix

Market Penetration	Increase market share among existing customers
Market Development	Attract new customers to existing products
Product Development	Create new products for present markets
Diversification	Introduce new products into new markets

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2.1

Ansoff's Opportunity Matrix

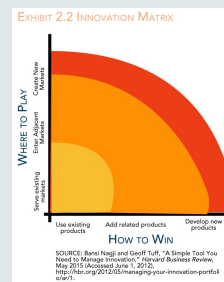
	Present Product	New Product
Present Market	Market Penetration Starbucks sells more coffee to customers who register their reloadable Starbucks cards.	Product Development Starbucks develops powdered instant coffee called Via.
New Market	Market Development Starbucks opens stores in Brazil and Chile	Diversification Starbucks launches Hear Music and buys Ethos Water.

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2.2

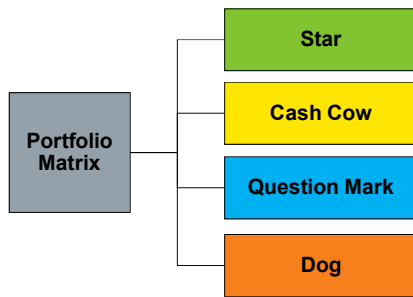
Innovation Matrix



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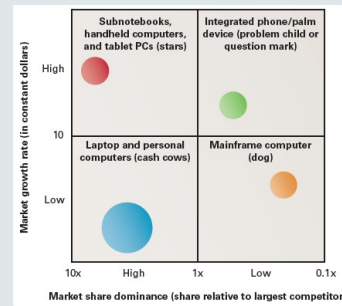
Boston Consulting Group Portfolio Matrix



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2.3 Portfolio Matrix for a Large Computer Manufacturer



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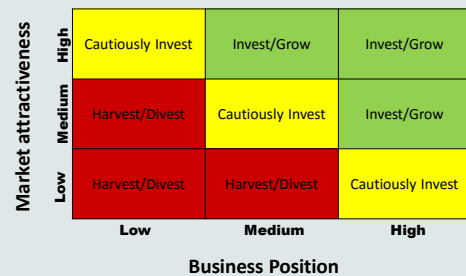
Portfolio Matrix Strategies



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2.4 General Electric Model



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What Is a Marketing Plan?

- ◆ *Planning* – the process of anticipating future events and determining strategies to achieve organizational objectives in the future.
- ◆ *Marketing Planning* – designing activities relating to marketing objectives and the changing marketing environment.
- ◆ *Marketing Plan* – a written document that acts as a guidebook of marketing activities for the marketing

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Why Write a Marketing Plan?

The creation and implementation of a complete marketing plan will allow the organization to achieve marketing objectives and succeed.

However, the marketing plan is only as good as the information it contains and the effort, creativity, and thought that went into its creation.

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2.5 Elements of a Marketing Plan



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Defining the Business Mission

Develop an appropriate business mission statement

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Defining the Business Mission

- ◆ Answers the question, "What business are we in?"
- ◆ The business mission profoundly affects the firm's long-run resource allocation, profitability, and survival
- ◆ Business mission statements that are stated too narrowly suffer from marketing myopia

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2-5

Conducting a Situation Analysis

Describe the components of a situation analysis

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SWOT Analysis

Internal	S	Strengths - things the company does well.
	W	Weaknesses - things the company does not do well.
External	O	Opportunities - conditions in the external environment that favor strengths.
	T	Threats - conditions in the external environment that do not relate to existing strengths or favor areas of current weakness.

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Components of a SWOT Analysis

Examining internal strengths and weaknesses.

Focus on organizational resources:

- Production costs
- Marketing skills
- Financial resources
- Company or brand image
- Employee capabilities
- Technology

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Environmental Scanning

Helps identify
opportunities and threats.

Designing a marketing strategy is based on
six major environmental forces:

- Social
- Demographic
- Economic
- Technological
- Political/Legal
- Competitive

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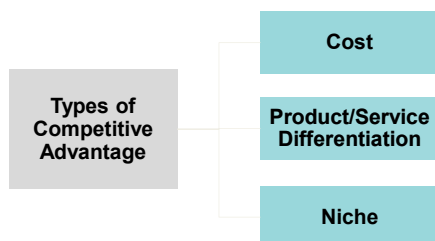
2-6

Competitive Advantage

**Identify sources
of competitive
advantage**

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Competitive Advantage



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Cost Competitive Advantage

A competitive advantage is a set of unique features of a company and its products that are perceived by the target market as significant and superior to those of the competition.

Having a cost competitive advantage means being the low-cost competitor in an industry while maintaining satisfactory profit margins.

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Sources of Cost Reduction

Experience Curves	Product Design
Efficient Labor	Reengineering
No-frills Products	Production Innovations
Government Subsidies	New Service Delivery Methods

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Examples of Product/Service Differentiators

A product/service differentiation competitive advantage exists when a firm provides something that is unique and valuable to buyers beyond simply offering a lower price than that of the competition. Examples include:

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

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Niche Competitive Advantage

A niche competitive advantage seeks to target and effectively serve a single segment of the market. A niche competitive advantage:

- ◆ Is used by small companies with limited resources
- ◆ May be used in a limited geographic market

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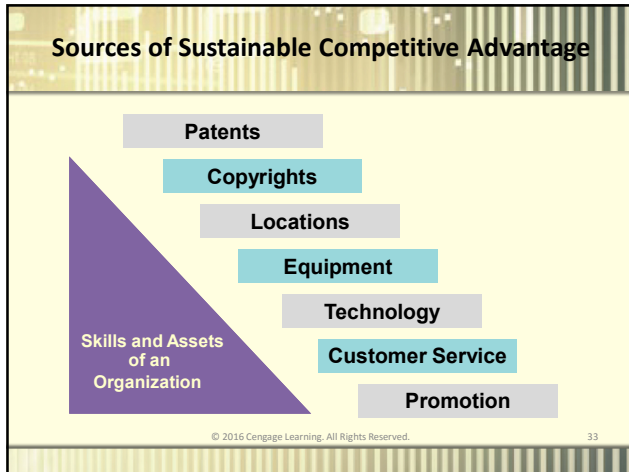
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Building Sustainable Competitive Advantage

- ◆ Sustainable competitive advantage is an advantage that cannot be copied by the competition.
- ◆ A firm that has successfully achieved a competitive advantage will stake out a position unique in some manner from its rivals.

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2-7 Setting Marketing Plan Objectives

Explain the criteria for stating good marketing objectives

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Marketing Objectives

A **marketing objective** is a statement of what is to be accomplished through marketing activities. To be useful, stated objectives should be:

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

"Our objective is to achieve 10 percent dollar market share in the cat food market within 12 months of product introduction."

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Criteria for Good Marketing Objectives

Carefully specified objectives serve several functions:

1. Communicate marketing management philosophy
2. Provide management direction
3. Motivate employees
4. Force executives to clarify their thinking
5. Form a basis for control

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Describing the Target Market

**Discuss target
market strategies**

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Describing the Target Market

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

Marketing Opportunity Analysis (MOA) involves...
the description and estimation of the size and sales potential of market segments that are of interest to the firm and the assessment of key competitors in these market segments.

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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

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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**

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2-9

The Marketing Mix

Describe the
elements of the
marketing mix

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The Marketing Mix is...

a unique blend of **product**, **place (distribution)**, **promotion**, and **pricing** strategies designed to produce mutually satisfying exchanges with a target market.

The elements of the marketing mix
are often referred to as the

"Four Ps"

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Marketing Mix: The "Four Ps"

The starting point of the "4
Ps" Includes:

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

Product

Products can be...

- ◆ Tangible goods
- ◆ Ideas
- ◆ Services

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Marketing Mix: The "Four Ps"

Place

- ◆ 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

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Marketing Mix: The “Four Ps”

Promotion

Role is to bring about exchanges with target markets by:

- ◆ Informing
- ◆ Educating
- ◆ Persuading
- ◆ Reminding

Includes integration of:

- ◆ Advertising
- ◆ Public relations
- ◆ Sales promotion
- ◆ Personal selling

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Marketing Mix: The “Four Ps”

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
- ◆ $\text{Price} \times \text{Units Sold} = \text{Total Revenue}$

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Following Up on the Marketing Plan

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

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Following Up on the Marketing Plan

- ◆ Implementation
- ◆ Evaluation and Control
- ◆ A marketing audit is...
 - ◆ Comprehensive
 - ◆ Systematic
 - ◆ Independent
 - ◆ Periodic

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Post-audit Tasks

After the audit, three tasks remain:

1. Profile and make recommendations about weaknesses and inhibiting factors as well as strengths and new opportunities.
2. Ensure that the role of the audit has been clearly communicated.
3. Make someone accountable for implementing recommendations.

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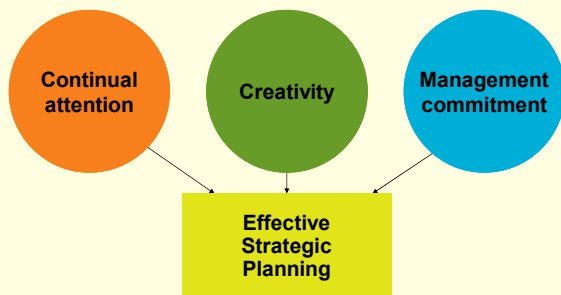
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Effective Strategic Planning

**Identify several
techniques that help
make strategic
planning effective**

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Techniques for Effective Strategic Planning



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Chapter 2 Video The Nederlander Organization

The Nederlander Organization is a global theatre management company that backs productions, rents, and manages Broadway style theatres. In this video, major managers discuss the strategic decisions behind the development of a separate company to manage Audience Rewards, a loyalty program for theatre-goers.

[CLICK TO PLAY VIDEO](#)

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