Strategic Marketing Management

- strategic management involves planning, implementation, and evaluation
- implies ongoing revision of the marketing program, based upon feedback
- consistent with the firm’s mission and based upon clear goals and objectives
- **strategies** suggest how firm will reach its goals
- **tactics** relate to how strategies will be implemented
- **policies** guide how the firm does business
PLANNING SEQUENCE

Strategic Company Planning
1. Define org. mission
2. Conduct situation analysis
3. Set org. objectives
4. Select appropriate strategies

Strategic Marketing Planning
1. Conduct situation anal.
2. Develop marketing obj.
3. Determine positioning and differential advantage
4. Select target markets, measure market demand
5. Design strategic marketing mix

Annual Marketing Planning
Prepare annual marketing plan for each major product and company division
Strategic Marketing Planning

- Strategic planning is based upon what is happening in the firm’s environment.
- Matches resources with the opportunities, changes, and characteristics of the marketplace.
- must be consistent with the firm’s mission
- objectives must be actionable and measurable
- formulation of objectives is often based upon an analysis of strengths, weaknesses, opportunities, and threats (SWOT-to TOWS)
The Planning Process

- involves carrying out a **situational analysis**; often including a SWOT analysis
- setting realistic **marketing objectives**
- determining strategies for **positioning** and for gaining a **differential advantage** on competitors
- selection of appropriate target market segments and an assessment of market demand
- identifying a strategic marketing mix that will appeal to the target segments
The Annual Marketing Planning

- short-term plan prepares for a firm’s major functions
- summarizes strategies that will be used to achieve specific objectives over the year
points out other activities that must be performed in implementation and evaluation

outlines who is responsible and what resources are to be made available

represents a “road map” to guide marketing activity over the coming year
Contents of the Annual Plan

- executive summary
- situation analysis -- including resources
- objectives tailored to organizational goals
- strategies relating to segments and marketing mix
- tactics -- activities to carry out strategies
- financial schedules -- projections
- timetable to guide implementation
- evaluation of performance against goals
Strategy approaches - Programming

- The **design school**: Strategy formations as a *conceptual* process
- The **planning school**: Strategy as a *formal* process
- The **positioning school**: Strategy formation as an *analytical* process
Strategy approaches - Incrementalism

- The entrepreneurial school: Strategy formations as a *visionary* process
- The cognitive school: Strategy formation as a *mental* process
- The learning school: Strategy formations as an *emergent* process
- The **political** school: Strategy formations as a *power* process
- The **cultural** school: Strategy formations as an *ideological* process
- The **environmental** school: Strategy formation as a *passive* process
- The **configuration** school: Strategy formation as an *episodic* process
Strategic approaches summarised

- Programming, Prescriptive (how strategy **should** be made)
- Incrementalism, Descriptive (how strategy **gets** made)
Competing Views of the Future—See next slide

Incrementally similar

Past
Now
Future

Extrapolate from past to plan for future

Radically different

Past and present

Future

Can’t extrapolate
• The future can either be broadly similar to the present (but perhaps a bit bigger or smaller) or it can be radically different. If the future is likely to be similar then you can extrapolate forward a few years and get a fairly clear picture of what a sector might look like, making planning relatively straightforward.
• However, if the future is likely to be radically different from the present then planning is a lot harder.
• It needs a different set of skills, including scenario planning.
• The Emerging Themes Unit is asking you to find something in your sector that will make it radically different in the future – a breakpoint.
• You then have to use your judgement to work through the potential impacts (or scenarios) to identify which is the most likely, and then comment on what organisations should do about it.
The term “strategy” is intended to focus on the interdependence of the adversaries’ decisions and on their expectations about each other’s behavior.”
“Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals.”
“The pattern or plan that integrates an organization’s major goals, policies, and action sequences into a cohesive whole. A well formulated strategy helps to marshal and allocate an organization’s resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.” (James Brian Quinn, Logical Incrementalism)
Definitions of Strategy

….is the development of a clear picture of the direction an organisation wants to go in, coupled with a well-thought out plan of how to steer the organisation in the right direction…………Needham et al, 1997
...it is a course of action aimed at ensuring that the firm will achieve its objectives by matching its internal resources and skills with the environmental opportunities and risks it faces
The concept of corporate strategy

"Strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principle policies and plans for achieving those goals"
The strategy process should be a rational and conscious planning activity, in which formulation and implementation are carried out sequentially.

The logical activity of planning is preferable to the "muddling through" of incrementalism.
Definitions contd

- "A strategy is the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole"

James Brian Quinn
Definition Contd...

- ..........involves matching effectively the business’ competences (knowledge, expertise and experience) and resources with the opportunities and threats created by the marketplace - Michael Porter

- ....determination of the basic long term goals and objectives, the adoption of a course of action, and the allocation of resources necessary for carrying out these goals… A.E. Chandler, 1962
The Role of Strategy in Business is to Generate and Sustain Value via the Linkages Between Position, Resources, and Organization.
Positioning

- **Scope of the Firm:**
  - Geographic Scope
  - Product-market Scope: Choice of businesses (corporate portfolio analysis)
  - Product Market Positioning within a business
  - Vertical integration decisions
Resources

- **Tangible Resources**
  - e.g., physical capital

- **Organizational Capabilities**
  - e.g., routines and standard operating procedures

- **Intangible Resources**
  - e.g., trademarks, “know-how”
Organization

- **Structure**
  - Formal Definition of authority
  - Conflict Resolution

- **Systems**
  - Rules, Routines, Evaluation and rewards

- **Processes**
  - Informal communication, networks, recruitment
The Elements of Strategic Problem-Solving

- Strategy is applicable to business within defined boundaries.
- There are specified direct competitors within the defined demand area, while indirect competition is usually ignored or covered by the concept of price-cross elasticity of demand.
- Strategy unfolds over a sequence of time periods.
- Market share has intrinsic value. Past sales levels influence subsequent customer buying and costs reduce with single-period volume and accumulated experience.
- Competitors differ in market share, accumulated experience, production capacity and resources. Competitors are unequal, identified and positioned.
Main Elements of a Strategy

- Fundamental issues involving direction to take
- Big decisions
- Holistic picture
- Long term planning (3-10 years typically)
- Rooted in the outside world (need to understand markets, opportunities, changes, trends and external threats)
- Product or service mix info required
- Market information required
- Complex decisions
- Uncertainty
- Needs to be sensitive and flexible to change
- Often involves trade-offs
Key Characteristics Of Strategic Decisions—Recapped

- Important;

- Typically, under some Uncertainty;

- Involves Alternatives, Consequences, and Choice;

- Significant Commitment of Resources; and

- Not Easily Reversible.
Example from British Airways

Vision: To be the world’s favourite airline

Mission: To set new industry standards in customer service and innovation, deliver the best financial performance and evolve from being an airline to a world travel business with the flexibility to stretch its brand in new business areas

Strategy

- Maintain a pace of quality, innovation and service delivery that keep us ahead of the competition
- Keep costs firmly under control
- Create marketing alliances where beneficial or if there is sufficient return on capital, by investing in other airlines
Vision: To become the replacement for bars as social centres

Mission: Establish Starbucks as purveyors of finest coffee in the world while maintaining our uncompromising principles as we grow

Strategy

- **Moving into new markets** - new types of products, geographic regions, new types of customers - open coffee houses in airports; introduce ice-cream into their product portfolio; provide coffee to airlines; sell products from web-site

- **Finding new ways of delivering products or service** - partnerships, acquisitions - partnerships with Barnes & Noble; alliance with Canadian bookstores Chapters; partnerships in Japan and China; develop fair trade partnerships

- **Divesting or selling off parts of the business** - converting debentures into stock
What Strategy is Not

in order to understand what it is not, we need to look at how strategy fits into the bigger picture.
The Bigger Picture - EFQM Model

Vision or Guiding Philosophy
what we want to be

Strategy
the way we are going to achieve it

Mission
Our purpose and the scope of our work

Critical Success Factors (CSFs)
what success will look like - a balanced scorecard of results

Core Processes
how success will be achieved

Core Values and Beliefs
who we want to be

Key Performance Indication (KPIs)

People

Targets

Resources

Process Management
The EFQM model shows how it all fits together

……..from vision, strategy and mission through to the elements you need to have in place to make it happen - including ways of measuring, the resources and the processes and systems to support the business in achieving its strategy
**EFMQ Model**

**Vision**
Futuristic and inspiring view of what an organisation can become
Long term aspiration
Usually expressed in the future tense

**Mission**
Essential purpose of an organisation
Reason why an organisation exists
Usually expressed in the present tense

- **Vision or Guiding Philosophy**
  - what we want to be

- **Mission**
  - Our purpose and the scope of our work

- **Critical Success Factors (CSFs)**
  - what success will look like
  - a balanced scorecard of results

- **Core Processes**
  - how success will be achieved
  - Process Management

- **Core Values and Beliefs**
  - who we want to be

- **Key Performance Indication (KPIs)**

- **Strategy**
  - the way we are going to achieve it

- **Targets**

- **People**

- **Resources**
Vision - Futuristic and inspiring view of what an organisation can become. Long term aspiration. Usually expressed in the future tense e.g. Starbucks - to become the replacement for bars as social centres
Next step is to understand the **strategy** - how the organisation intends to ensure that it gets there....

Examples of what can be in a strategy
- Move into new markets X, Y and Z
- Find news ways of delivering products or service
- Divest or sell off parts of the business
Once vision and mission are known, the next step is to understand the strategy - how the organisation intends to ensure that it gets there.
Once vision and mission are known, the next step is to understand the **strategy** - how the organisation intends to ensure that it gets there.
Andrews strategy model

- Resource analysis
- Corporate capabilities
- Management values

- Current strategy
- Environmental scan

- Strengths
- Weaknesses
- Opportunities
- Threats

- Strategic alternatives
- Strategic decision making

- Market opportunities
- Social responsibilities

- New strategy ready to implement

Strategi 2, 2001 vinter
The fine art of crafting strategy

Though Henry Mintzberg has much to say about how others see strategy, it’s less easy to capture what he thinks about it himself.
Strategic Marketing Management: Defined

- **Strategic marketing Management** involves the careful analysis of an organisation's environment, its competitors and its internal strengths in order to develop a sustainable plan of action, which will develop the organisation's competitive advantage and maximise it within given resource availability.
What Is Strategic Marketing Management About?

- **Sustainable competitive advantage** occurs when a firm implements a value-creating strategy of which other companies are unable to duplicate the benefits or find it too costly to imitate.

- An important basis for sustainable competitive advantage is the development of resources and capabilities.

- **Core competencies** are resources and capabilities (often related to functional-level skills) that serve as a source of competitive advantage for a firm over its rivals.
Strategic Planning/Mgmt

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.
Notes:
1. Strategic planning creates and maintains a fit between the organization’s resources and objectives and the evolving market opportunities. The goal is to sustain and increase long-run profitability and growth. Strategic decisions require long-term commitments of resources.
1. Strategic errors can threaten a firm’s survival, but a good plan can help protect and grow the firm.

2. Examples of strategic decisions:
   * Sears purchase of Lands’ End
   * Reebok’s decision to stop competing with Nike in the hard-core sports market and instead focus on being the top shoe brand for fashion-forward consumers.
   * McDonald’s decision to offer more healthful foods
   * S.C. Johnson’s introduction of Shout Color Catchers

Discussion/Team Activity:
1. Discuss strategic planning decisions of other companies.

2. Discuss why strategic planning is important for these companies.
Strategic Marketing Management: Practical Quiz

- What is the organization’s main activity?
- How will it reach its goals?
Notes:
How do companies go about strategic marketing planning? How do employees know how to implement the long-term goals of the firm? The answer is a marketing plan.
A Conceptual Framework for a Market-driving Strategy

Transformational leadership
Articulating a vision and providing intellectual stimulation

Organisational culture
Shared values and norms

Technological changes and effectiveness

Creating a market-driving culture: adhocracy

Capacity to innovate

Taking risks
Innovativeness

Organisational learning

Transitory phase
Organisational change

Inter-functional coordination

Market-driving

Customer value opportunities
MARKETING
Firm’s superior capabilities

Customer Interaction

Superior business performance

Source: Carrillat et al. 2004, modified
The Marketing Strategy Triangle

- Competitors
- Customers
- Value
- Target segments
- Other market segments
- Product/Service Differentiation

Environmental Factors:
- Technological Environment
- Ecological Environment
- Economic Environment
- Social Environment
- Political Environment
# Mgmt/Planning at Different Levels

<table>
<thead>
<tr>
<th>What It Is</th>
<th>Strategic Planning</th>
<th>Functional Planning (In Marketing Department, called Marketing Planning)</th>
<th>Operational Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who Does It</td>
<td>Planning done by top-level corporate management</td>
<td>Planning done by top functional-level management such as the firm’s chief marketing officer (CMO)</td>
<td>Planning done by supervisory managers</td>
</tr>
</tbody>
</table>
| What They Do | 1. Define the mission  
2. Evaluate the internal and external environment  
3. Set organizational or SBU objectives  
4. Establish the business portfolio (if applicable)  
5. Develop growth strategies | 1. Perform a situation analysis  
2. Set marketing objectives  
3. Develop marketing strategies  
4. Implement marketing strategies  
5. Monitor and control marketing strategies | 1. Develop action plans to implement the marketing plan  
2. Use marketing metrics to monitor how the plan is working |
The Three/Four Distinct levels of Strategy in a Commercial Context

- Network
- Corporate strategy: this deals with the allocation of resources among the various businesses of divisions of an enterprise.
- **Business strategy:** this exists at the level of the individual business or division, dealing primarily with the question of competitive position.
- **Functional level strategy:** this is limited to the actions of specific functions within specific businesses.
Strategic Planning/Mgmt

Marketing Plan

A written document that acts as a guidebook of marketing activities for the marketing manager.
Levels of strategy

Network level

Corporate level

Business level

Functional level

Alliance I
- Business B
- Corporation T

Network II
- Corporation Y
- Corporation X
- Business L
- Corporation Z

Corporation X
- Business A
- Business B
- Business C

Business B
- Finance
- HRM
- R&D
- Marketing & Sales
- Operations

Marketing & Sales
- Price
- Product
- Place
- Promo
The Levels of Strategy

Corporate - General Electric

Business - Home Appliances

Functional - e.g., Production
The Strategic Marketing Mgmt Process

- Where are we now?
- Where do we want to go?
- How do we get there?
- How do we know if we got to where we wanted to go?
- Analyses-Audit
- Decisions-formulation of strategies
- Decision/Actions
- Actions-Implementation & Control
Where are we now? Stage One-Marketing Audit and Capability Analysis

- The starting point in the process of strategic and marketing analysis involves a detailed marketing audit and review of marketing effectiveness.
- Aimed to show us:
  - The organisation’s current market position;
  - The nature of environmental opportunities and threats; and
  - The organisation’s ability to cope with the demands of this environment.