BUSINESS MARKETING / 03C

Polytechnic University
of Applied Sciences

Raymond Reinhardt

3R Business Development
raymond.reinhardt@3r-bdc.com

Based on Dr. W.G. Biemans' Business marketing management, Prof. Ph. Kotler's Principles of marketing / Strategic marketing management and miscellaneous designer's lecturing materials

3R Business Development Consultancy

STRATEGIC MARKETING PLANNING

Alternative strategies, aspects

- Strategic gap analysis will provide insight in the extent of the need for change and the necessity of strategic marketing planning.
- SWOT analysis + confrontation matrix will provide insight in the possibilities and the capabilities of an organization, in view of its continuity (vision).
- Determining further goals and objectives will point out what to achieve and how to get there.

3R

STRATEGIC MARKETING PLANNING

Alternative strategies, aspects

- Aspects of change:
  - Need for change
  - +
  - Clear common vision
  - +
  - Ability to change
  - +
  - First action steps
  - =
  - Degree of change
- When unclear:
  - <-- disappears under the carpet
  - <-- on the go quickly, but unguided
  - <-- frustration, loss of competitive drive
  - <-- coincidental try, wrong start

3R

STRATEGIC MARKETING PLANNING

Considerations

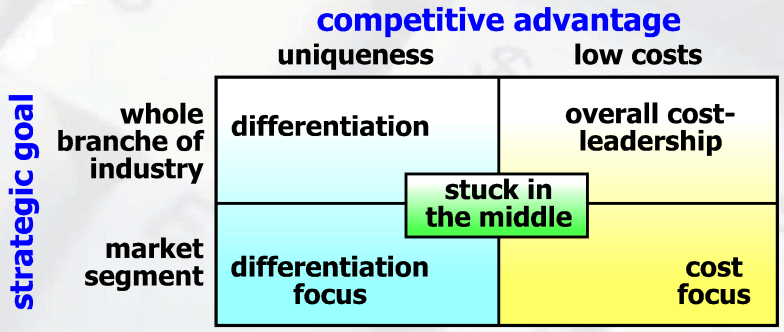
- **Strategic questions**
  - Observing the company's objectives, strategic choices will have to be made at this point.
  - Important questions that have to be taken into account:
    - which basic strategy should we follow: cost-leadership, differentiation, or focus-strategy?
    - which strategic direction should we choose: turnaround, consolidation or growth?
    - how should we develop the chosen strategy: DIY, through acquisition, through a take-over, or through another type of co-operation?

3R

BASIC STRATEGIES

Generic competitive strategies (1980)

- **Prof. Michael Porter's generic strategies**



3R

BASIC STRATEGIES

Generic competitive strategies (1980)

- **Overall cost leadership**
  - Overall cost leadership is focused on general costs advantages within the branch of industry; this strategy will often be applied by manufacturers of relatively uncomplicated products that do not need much servicing (Black & Decker, Texas Instruments)
    Organizations that apply this strategy should manage their engineering, purchasing and production well.
    Here, managing marketing is less important.

3R

BASIC STRATEGIES

Generic competitive strategies (1980)

- **Differentiation**
  - Differentiation is focused on making products and services different or unique in comparison to the offerings of competitors in such a way that these products and services are considered unique within the branch of industry (Mercedes-Benz, Coleman, Bang & Olufsen, Intel). Differentiation focuses on quality leadership: the best components, the best quality control, etc.

3R

7

BASIC STRATEGIES

Generic competitive strategies (1980)

- **Focus**
  - This strategy concentrates on one group of customers, one or more segments or a geographic market

    Based on the know-how and experiences in a certain market segment, companies will apply this strategy in view of cost leadership (cost-focussed, such as RyanAir) or regarding differentiation (differentiation-focussed like the former Concorde).

3R

8

BASIC STRATEGIES

Generic competitive strategies (1980)

- **Focus**

3R

9

BASIC STRATEGIES

Generic competitive strategies (1980)

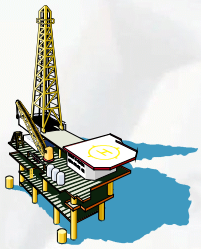
- **Stuck in the middle**
  - this 'strategy' occurs when the firm is not able to choose from the 3 generic competitive strategies. This will usually result in achieving a less than average profitability, whereby the firm:
    - will operate against higher costs, which reduces the possibility to compete through lower pricing;
    - will be less able to distinctively respond to specific and differentiated market demands, and
    - will be considered too common to acquire a strong position among smaller target groups.

3R

BASIC STRATEGIES

Trade column strategies

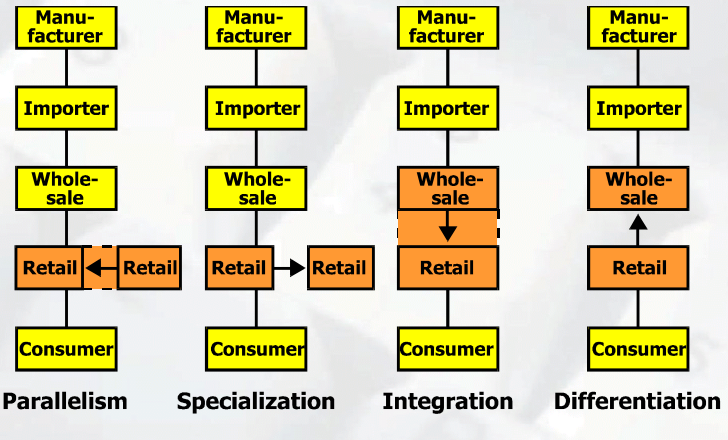
- **Trade column**
  - the consecutive links and their respective positions in the producing process of a certain product, from raw material producer to final customer.
  - Trade column strategies:
    - parallelism;
    - specialization;
    - integration;
    - differentiation.



3R

BASIC STRATEGIES

Trade column strategies (retail example)



3R

BASIC STRATEGIES

Trade column strategies

- **Parallelism**
  - strategy in which activities are conducted deriving from a different trade column, and usually at the same level (ex.: airline company taking over a chain of hotels, or banks taking over insurance companies).

    This kind of enlargement of the scale of economy will lower the operational costs, but will also make the company more dependent on the same market, increasing its vulnerability.

3R

BASIC STRATEGIES

Trade column strategies

- **Specialization**
  - strategy in which a company returns to its core business.
    For example: Dutch sugar and food producer CSM selling their general food division to Heinz, and concentrating on sugar processing, biochemistry and bakery supplies (largest in the world).

    Through specialization, the overall production process will become more efficient, however, when demand relapses, the organization's continuity might become endangered.

3R

BASIC STRATEGIES

Trade column strategies

- **Integration**
  - strategy in which a company conducts activities deriving from preceding or following stages in its own trade column.
    For example a manufacturer taking over a chain of shops (forward) or taking over its supplier (backward).

    A major disadvantage could be that not all the processes and activities involved, are conducted just as well or just as efficient as in the situation before the integration took place.

3R

BASIC STRATEGIES

Trade column strategies

- **Differentiation**
  - strategy in which a company sheds its activities deriving from preceding or following stages in its own trade column.

    Example: Shell, nearly completely having shed its large fleet of oil tankers, and now mainly relying on the chartering services of specific shipping companies.
    Another example: Nike sports shoes, focussing on shoe designing and trading (marketing & merchandising), after having outsourced their sport shoe manufacturing, distribution, etc.

3R

BASIC STRATEGIES

Ansoff's growth strategies (1957)

- **Prof. Igor Ansoff's growth strategies matrix**

	Existing markets	New markets
Existing products	Market penetration	Market development
New products	Product development	Diversification

3R

BASIC STRATEGIES

Ansoff's growth strategies (1957)

- **Market penetration**
  - the strategy based on acquiring more business with the present products and offerings within the current market / group of customers;

  - this strategy can either be focused on expanding the customer base within the current market, or it can be aimed at selling more products or services (new or as a replacement) to the same group of customers.

3R

BASIC STRATEGIES

Ansoff's growth strategies (1957)

- **Market development**
  - the strategy based on acquiring more business with the present products and offerings within the 'new' (different) market / other group of customers;
  - this strategy occurs, for instance, when a company decides to start exporting their products or services to another country or region.

3R

19

BASIC STRATEGIES

Ansoff's growth strategies (1957)

- **Product development**
  - the strategy based on acquiring more business with 'new' or newly developed products and services within the current market / present group of customers;
  - this strategy occurs, for instance, when a company decides to develop new products or services for their present customers in order to avoid having customers start looking for competitive products suiting their changing needs.

3R

20

BASIC STRATEGIES

Ansoff's growth strategies (1957)

- **Diversification**
  - the strategy based on acquiring more business with 'new' or newly developed products and services within other (new or developing) markets / new or other groups of customers;
  - this strategy does not seem reasonable, however, it occurs frequently, for instance when a company decides to buy another company elsewhere in the world.

3R

21

BASIC STRATEGIES

Kotler's growth strategies

- **Prof. Philip Kotler's growth strategies matrix**

Intensive growth strategy	Integrative growth strategy	Diversification growth strategy
Market penetration	Backward	Concentric
Market development	Forward	Horizontal
Product development	Horizontal	Conglomerate

3R

BASIC STRATEGIES

Kotler's growth strategies

- **Integrative growth strategies**
  - Often a business's sales and profits can be increased through backward, forward or horizontal integration within its industry;
  - *Backward integration* occurs, for instance, when a company acquires one or more of its suppliers in order to gain more control or to generate more profit.

3R

BASIC STRATEGIES

Kotler's growth strategies

- **Integrative growth strategies**
  - *Forward integration* occurs when, for instance, a company acquires one or several wholesalers or retailers, especially if they are highly profitable;
  - Finally, *horizontal integration* occurs, for instance, when a company acquires one or more competitors or colleague manufacturers in the industry involved.

3R

BASIC STRATEGIES

Kotler's growth strategies

- **Horizontal integration**

Steel production	
Steel (sheets) processing industry	Steel (pipes) processing industry
Central heating radiator manufacturer	Central heating boiler manufacturer
Plumbing / installation	Plumbing / installation
Customer / Consumer	Customer / Consumer

horizontal integration (similar to parallelism)

3R

BASIC STRATEGIES

Kotler's growth strategies

- **Diversification growth strategies**
  - Diversification growth makes sense when good opportunities can be found outside the present businesses.
  - As such, the company could seek new products that have technological or marketing synergies with existing product lines, even though the new products themselves may appeal to a different group of customers (*concentric diversification*: BIC's ball points, lighters, etc.).

3R

BASIC STRATEGIES

Kotler's growth strategies

- **Diversification growth strategies**
  - Also, the company might search for new products, that could appeal to current customers even though the new products are technologically unrelated to its current product line (*horizontal diversification*: Christian Dior perfume / Christian Dior clothing, etc.)

3R

BASIC STRATEGIES

Kotler's growth strategies

- **Diversification growth strategies**
  - ***Conglomerate diversification*** **: strategy in which new products and/or services are introduced, that are not technologically or marketing-wise related to the company's current offerings.**

    Actually, this strategy corresponds to the earlier mentioned diversification according to Ansoff .

3R