

PRINCIPLES OF MARKETING / 04A

IBMS /
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Based on *Ph. Kotler's Principles of marketing / international edition, and miscellaneous designer's lecturing materials*



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STRATEGIC MARKETING PLANNING

About strategy

Aspects of strategy & planning

- *All* companies need some kind of strategy in order to meet changing markets.
- *No one strategy* can be considered best for all companies, nor for all circumstances.
- *Strategic planning* (>**organizational strategy**) is the first stage of *marketing planning* (>**marketing strategy**); it defines marketing's role in the organization

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STRATEGIC MARKETING PLANNING

About strategy

Aspects of strategy & planning

- Although most managers will agree that planning is essential for business operations, many companies operate *without* formal plans.
- "*Failing to plan means planning to fail*"
Planning encourages systematic thinking, and forces companies to sharpen their objectives (goals, targets) and policies.

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STRATEGIC MARKETING PLANNING

About planning

Types of planning

- **Annual plan:** short term plan describing the company's current situation, its objectives, the strategy, action programme and budgets for the year ahead, and controls (monitoring, supervision)
 - What objectives do we want to achieve one year from now? What actions must be taken to accomplish this? What budget amounts are available for what kind of investments? How and when do we monitor our progress?

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STRATEGIC MARKETING PLANNING

About planning

Types of planning

(cont'd)

- **Long-range plan:** long term plan describing the company's long term objectives, the main marketing strategies used to achieve them, and the resources (for instance: the 4 M's: manpower, money, machinery, methods).
Long-range planning requires regular review.
 - What position do we want to obtain within the next years? Which route should we follow in order to get there? What resources should we take into account?

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STRATEGIC MARKETING PLANNING

About planning

Types of planning

(cont'd)

- **Strategic plan:** (master) plan describing how the company will adapt to take advantage in its constantly changing environment, and as such, maintaining a strategic fit between the company's goals and capabilities, and its changing marketing opportunities.
 - What is our purpose of being, what kind of a company do we want to be? How can we take advantage of the changes (challenges) we will meet in the future?

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STRATEGIC MARKETING PLANNING

(Marketing) planning cycle

The planning process

- **Analysis** (present situation / prognosis continued situation / analysis):

Planning starts with a complete analysis of the company's present situation, a prognosis based on continuation of the present situation and an analysis concerning internal and external factors.

In this stage the company examines possible **opportunities** and **threats**, as well as its **strengths** and **weaknesses**. Eventually this analysis will result in certain *strategic issues*.

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STRATEGIC MARKETING PLANNING

(Marketing) planning cycle

The planning process

- **Planning:**

Through strategic planning the company decides what to do (with each business unit, for instance).

Marketing planning involves deciding marketing strategies that will help the company achieve its *overall strategic objectives*.

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STRATEGIC MARKETING PLANNING

(Marketing) planning cycle

The planning process

- **Implementation:**

The action phase, turning strategic plans into actions that will achieve the company's objectives.

Naturally, implementation *depends heavily on people* in the organization who work with others (persons working inside or outside the company)

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STRATEGIC MARKETING PLANNING

(Marketing) planning cycle

The planning process

■ Control:

This phase consists of **measuring**, **monitoring** and **evaluating** the effect and the results of plans and activities.

Also, in this phase, **corrective actions** may be taken to make sure the (marketing) objectives are being achieved.

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STRATEGIC MARKETING PLANNING



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STRATEGIC MARKETING PLANNING

Strategy, aspects

The essence of strategy

■ The determination of **the organization's objectives**, plus the marking of **the designated paths** which should be followed to obtain these objectives, and the indication of **the means** to acquire them.



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STRATEGIC MARKETING PLANNING

Strategy, aspects

Specific angles

- Markets tend to saturate in due time, and the preferences of consumers change constantly.
- Technological advances and innovations lead to rapid obsolescence.
- Continuously growing, global competition.
- Other macro- and meso-environmental factors, such as: economic, political and demographic factors.

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STRATEGIC MARKETING PLANNING

Strategy, aspects

Key issues:

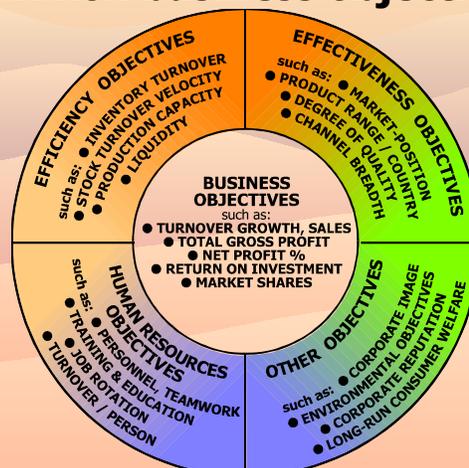
- Where do we want to 'go' to? (Our **goal**, our qualitative aims)
What do we want to accomplish? (Our **targets**, our -usually- quantitative ambitions)
- Which path should we follow to acquire these goals and targets? (Our **strategy**)
- What means should we deploy? (Our **tactics**)

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STRATEGIC MARKETING PLANNING

Common business objectives

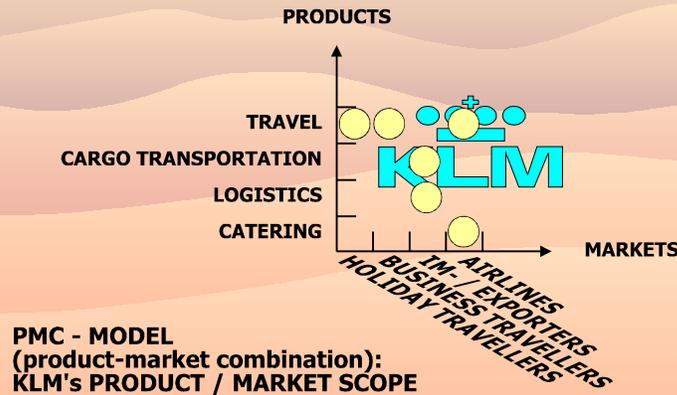


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STRATEGIC MARKETING PLANNING

A major decision: the PMC (product-market combination)



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STRATEGIC MARKETING PLANNING

The mission of the organization

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Defining the business of the organization

- Traditionally, many companies defined their business in product terms ("what we make") or in technological terms ("we are a chemical-processing company").
- Defining business, however, should rather be focussed on what markets and customers want.
- **Mission statement:** a statement of the organization's intention, its purpose, its reason for existing: what it stands for and what it tries to accomplish for its customers.

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STRATEGIC MARKETING PLANNING

The mission of the organization

Key questions regarding the mission

- **What business are we in?** As such, Microsoft is in the 'office solutions' business, not in the software business; Shell is in the 'energy providing' business, not in the fossil fuel business, etc.
- **Who are our customers?** Who are for example the customers of Microsoft: just offices or employees? What about private citizens or other types of businesses, etc.?

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STRATEGIC MARKETING PLANNING

The mission of the organization

Key questions regarding the mission

- **What are we in business for?** Do universities merely exist to educate students, or do they train them for industry and businesses?
- **What sort of business are we?** Companies could be cost leadership focussed businesses, such as KwikSave or Black & Decker. Companies could be differentiators, like Sony, or they could be focussed companies, like EasyJet.

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STRATEGIC MARKETING PLANNING

The mission of the organization

Key requirements for effective missions

- **Realistic:** KLM is an excellent airline company; their mission however does not mention becoming the world's largest airline, as this would be out of the question.
- **Specific:** the mission should fit the company and no other; therefore generalities and contradictions should be avoided (such as: "wanting to become the leading industry with best service, best prices, etc.").

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STRATEGIC MARKETING PLANNING

The mission of the organization

Key requirements for effective missions

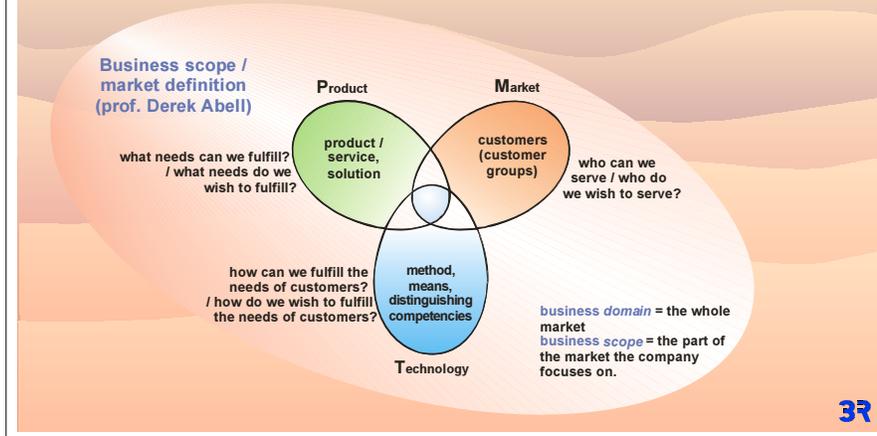
- **Based on distinctive competencies:** Bang & Olufsen (audio/video devices) has the technology to make microcomputers, but an entry into that market would not be appropriate with regards to its core competencies in designing, styling, manufacturing and exclusively distributing its high-end audiovisual products.
- **Motivating:** the mission should state objectives referring to customers, instead of stating financial objectives for the organization.

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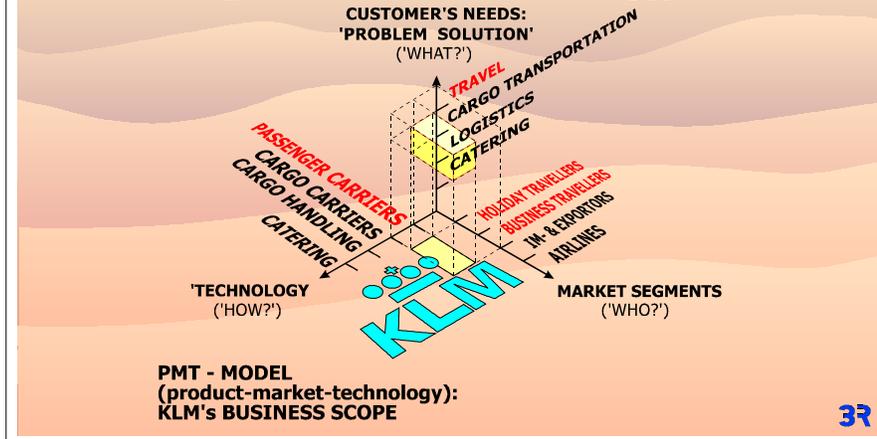
From mission to business scope: the PMT (product-market-technology)



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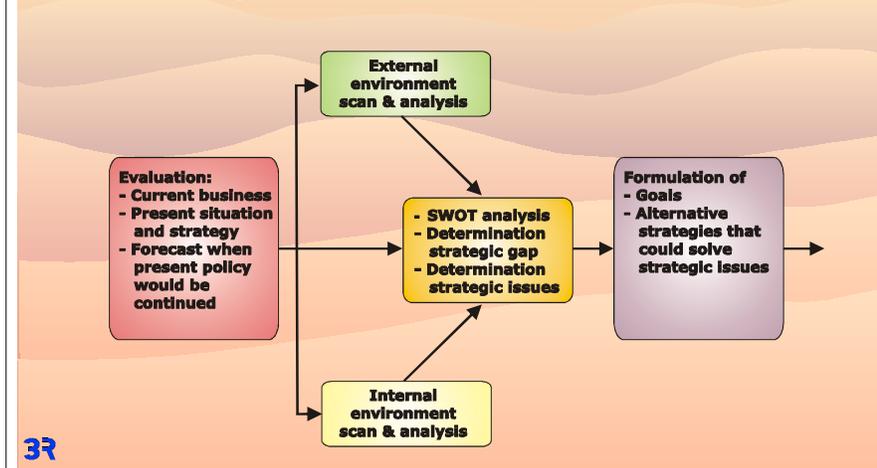
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STRATEGIC MARKETING PLANNING

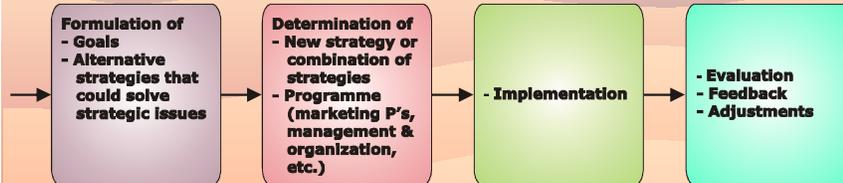
Strategy formulation, in detail (1)



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STRATEGIC MARKETING PLANNING

Strategy formulation, in detail (2)

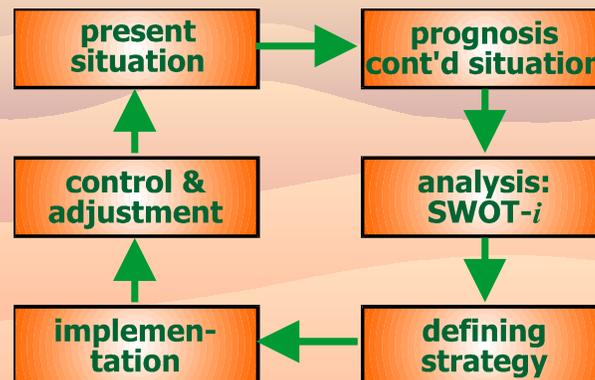


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Strategy formulation, a continuous cycle



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STRATEGIC MARKETING PLANNING

Analysis of current strategy / situation

Some important issues:

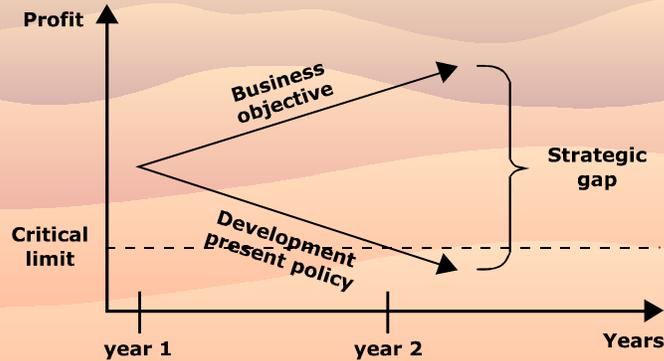
- Determination of the 'business definition' of the organization, focusing on the central issue: "what business are we in?"
- What kind of business are we actually conducting, really?
- Who are our customers? What value do they represent or contribute to our company?
- What relevant external developments are taking place: market, customers, competitors, etc.?
- Where is our business heading to? What new or other possibilities are we facing?

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STRATEGIC MARKETING PLANNING

Forecast current strategy: strategic gap



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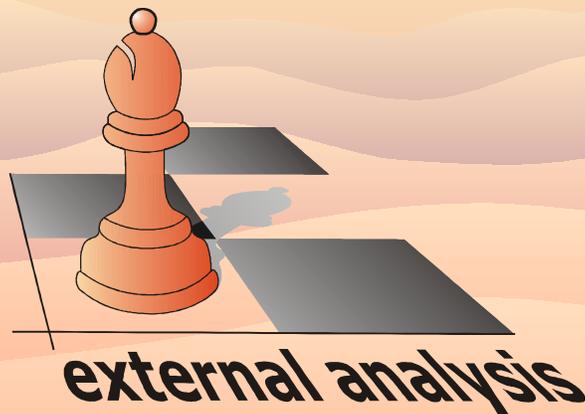
Forecast current strategy: strategic gap

	year 1	year 2	year 3	year 4
Sales targets	-----	-----	-----	-----
Expected sales amount	-----	-----	-----	-----
Sales drop / difference	-----	-----	-----	-----
Original turnover targets	-----	-----	-----	-----
Expected turnover	-----	-----	-----	-----
Turnover drop / difference	-----	-----	-----	-----
Original profit targets	-----	-----	-----	-----
Expected profits	-----	-----	-----	-----
Profit drop / difference	-----	-----	-----	-----

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STRATEGIC MARKETING PLANNING

External analysis, aspects

External analysis

- The **external analysis** involves a detailed examination of the markets, the competition, business and economic environment in which the organization operates.

The external analysis examines the macro-environment and the **task environment** of the organization. (Task environment: the forces from customers, suppliers, distributors and competitors, that affect the organization's ability to reach its business objectives).

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STRATEGIC MARKETING PLANNING

External analysis, aspects

External analysis

- Elements that may be part of an external analysis, could involve i.a.:
 - market developments
 - customer's behaviour, trends, developments
 - developments within the branch of industry
 - competitors
 - developments regarding distribution
 - legislation and other developments within the macro-environment.

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STRATEGIC MARKETING PLANNING

External analysis, aspects

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External analysis: market developments

- **Growth in the macro-environment**, such as **GDP** (value of all the country's goods and services that have been made through its factors of production [nature, labor, capital goods, information and entrepreneurship], or for example a (product-) **life cycle growth**.

- Significant factors regarding **market growth** are i.a.: **susceptibility to economic cycles** (*pork or cobweb cycle*), **import vulnerability** (low-wages countries), **business outlook**, **consumption patterns**, and **degree of welfare**.

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STRATEGIC MARKETING PLANNING

Customer analysis, trends, developments

Important aspects in this respect:

- customers' characteristics, wants, needs, etc.
- purchasing motives;
- importance regarding issues as ISO, HACCP, service, warranty, application know-how, etc.;
- purchasing procedures, DMU, who-what-when
- response to the marketing mix;
- importance of product / solution to the customer.

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STRATEGIC MARKETING PLANNING

Customer analysis, trends, developments

Customer motivations / some key issues

- What elements of the product/service do customers value most?
- What are the customers' objectives? What are they really buying?
- How do segments differ in their motivation priorities?
- What changes are occurring in customer motivation? In customer priorities?

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STRATEGIC MARKETING PLANNING

Customer analysis, trends, developments

Unmet needs / some key issues

- Why are some customers dissatisfied? Why are some changing brands or suppliers?
- What are the severity and incidence of customer problems?
- What are the unmet needs that customers can identify? Are there some of which customers are unaware of?
- Do these unmet needs represent leverage points for competitors?

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STRATEGIC MARKETING PLANNING

Components of competition

Forces of competition

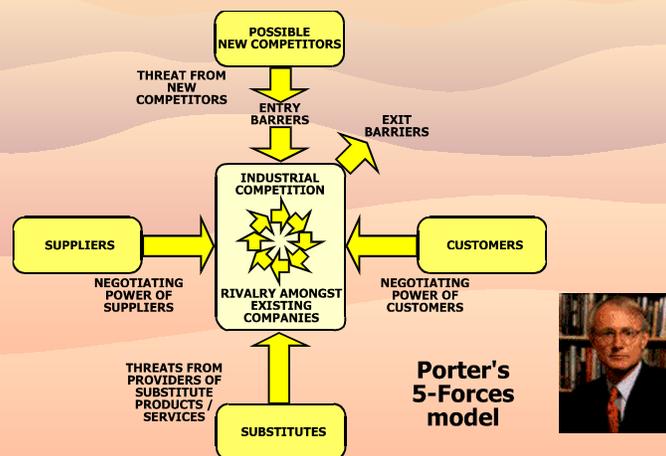
- In developing a marketing program, companies must consider the factors that drive competition: **market entry barriers, bargaining power of buyers and of suppliers, existing rivalries, and substitution possibilities.**
- These factors relate to a firm's marketing mix decisions and may be used to create a barrier to entry, increase brand awareness, or intensify a fight for market share.

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STRATEGIC MARKETING PLANNING

Components of competition



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STRATEGIC MARKETING PLANNING

Components of competition

Forces of competition

- **Entry:** in considering the competition, a firm must look in to the likelihood of new entries. As such, the firm must consider the possible barriers to entry for other firms: the business practices or conditions that make it difficult for new firms to enter the market.
- **Barriers to entry** can consist of capital requirements, advertising expenses, product identity, distribution access, switching costs, etc. For example: entering the aviation market usually requires huge investments.

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STRATEGIC MARKETING PLANNING

Components of competition

Forces of competition

- **Power of buyers and suppliers:** a competitive analysis must consider the power of buyers and suppliers.

Powerful **buyers** exist when they are few in number, or, for instance, when there are low switching costs, or the product represents a major share of the buyer's total costs.

A **supplier** gains power when the product is critical to the buyer and/or when the switching costs are relatively high.

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STRATEGIC MARKETING PLANNING

Components of competition

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Forces of competition

- **Existing competitors and substitutes:** competitive pressures among **existing firms** often depends on **the rate of industrial growth**. In slow-growth settings, competition is more intense in view of any possible gains in market share. High fixed costs also create competitive pressures for firms to fill production capacity.

Firms that offer **substitute products or services** can also create competitive pressures, especially when they are backed by large capital, such as train companies competing with airlines.

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STRATEGIC MARKETING PLANNING

Competitor analysis

The process of competitor analysis

- In general there are two very different ways of **identifying current competitors:**

1/ by **examining the perspectives of the customers** who choose among competitors.

This involves grouping competitors according to the degree they compete for a buyer's choice.

2/ by **placing competitors in strategic groups** on the basis of their competitive strategy.

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STRATEGIC MARKETING PLANNING

Competitor analysis

The process of competitor analysis

- **Strategic groups of competitors** are firms that:
 - over time **pursue similar competitive strategies** (like using the same distribution channels, the same type of communication strategies, the same price/quality position);
 - have **similar characteristics** (such as size, aggressiveness, etc.);
 - have **similar assets and competencies** (such as brand associations, logistics capability, global presence, or R&D).

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STRATEGIC MARKETING PLANNING

Competitor analysis

The process of competitor analysis

- After competitors are identified, the focus will shift to **trying to understand these competitors and their strategies**. Particularly interesting is an **analysis of the strengths and weaknesses of each competitor or strategic group of competitors**.

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Developments regarding distribution

Important aspects within the distribution analysis:

- **the manner of distribution**: indirect and/or direct bridging from manufacturers to customers;
- **the concentration of distribution**: the degree of power or influence that may exist within distribution channels;
- **the distribution functions**: presence and visibility of the added value / uniqueness of distributors.

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