

PRINCIPLES OF MARKETING / 04C

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

Strategic considerations

Strategic considerations

- 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.



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STRATEGIC MARKETING PLANNING

Strategic considerations

Strategic questions

- Looking at the company's objectives, strategic choices will have to be made at this point.
- Important questions that have to be taken into account:
 - what basic strategy should we follow: **cost-leadership**, **differentiation**, or **focus-strategy**?
 - what 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?



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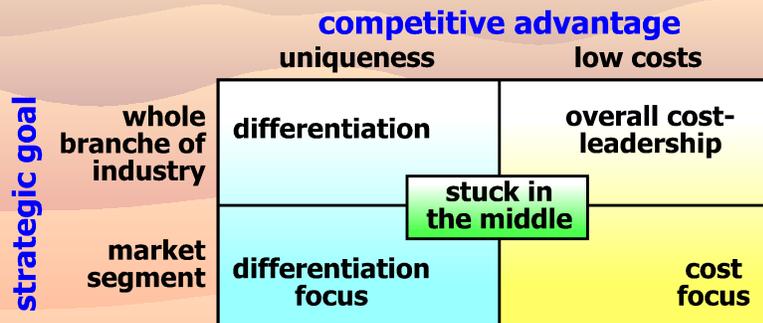


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STRATEGIC MARKETING PLANNING

Porter's generic competitive strategies



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STRATEGIC MARKETING PLANNING

Porter's generic competitive strategies

Overall cost leadership

- Overall cost leadership is **focussed 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.

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STRATEGIC MARKETING PLANNING

Porter's generic competitive strategies

Differentiation

- Differentiation is focussed 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.

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STRATEGIC MARKETING PLANNING

Porter's generic competitive strategies

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-focus**' such as RyanAir), or in view of differentiation ('**differentiation-focus**', such as the former Concorde).

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STRATEGIC MARKETING PLANNING

Generic competitive strategies



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STRATEGIC MARKETING PLANNING

Indecisive: stuck in the middle

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.

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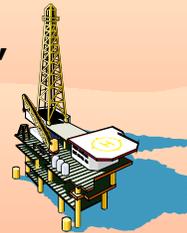
STRATEGIC MARKETING PLANNING

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**.

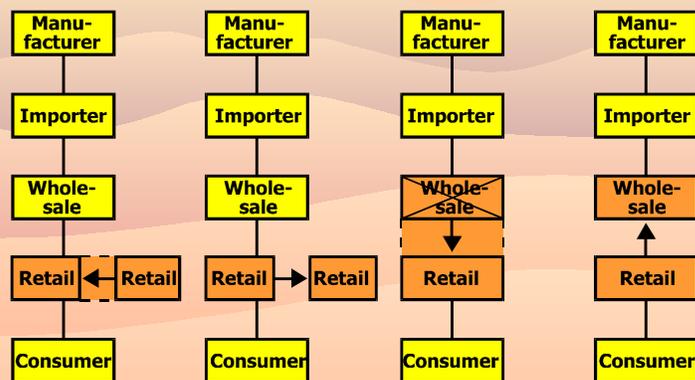


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STRATEGIC MARKETING PLANNING

Examples of trade column strategies (retail)



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Parallelism

Specialization

Integration

Differentiation

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STRATEGIC MARKETING PLANNING

Trade column strategies

Parallelism:

- strategy in which activities are conducted deriving from a different trade column, and usually at the same level (example: an 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.

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STRATEGIC MARKETING PLANNING

Trade column strategies

Specialization:

- strategy in which a company sheds part of its activities (back to an adjacent trade column), and 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.

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STRATEGIC MARKETING PLANNING

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.

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STRATEGIC MARKETING PLANNING

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** has shed almost all of its large fleet of oil tankers, now mainly relying on the chartering services of specific shipping companies.

Another example: **Nike** sports shoes, focusing on shoe designing and trading (marketing & merchandising), after having outsourced their sport shoe manufacturing, distribution, etc.

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STRATEGIC MARKETING PLANNING

Ansoff's growth strategies

Prof. Igor Ansoff's growth strategies matrix

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

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STRATEGIC MARKETING PLANNING

Ansoff's growth strategies

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 focussed 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.

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STRATEGIC MARKETING PLANNING

Ansoff's growth strategies

Market development

- the strategy based on acquiring more business with the present products and offerings within a '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.

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STRATEGIC MARKETING PLANNING

Ansoff's growth strategies

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

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STRATEGIC MARKETING PLANNING

Ansoff's growth strategies

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 (that is involved in other activities) elsewhere in the world.

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STRATEGIC MARKETING PLANNING

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

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STRATEGIC MARKETING PLANNING

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.

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STRATEGIC MARKETING PLANNING

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.

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STRATEGIC MARKETING PLANNING

Kotler's growth strategies

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)

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STRATEGIC MARKETING PLANNING

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 disposable ball points, lighters, razors, etc.)

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STRATEGIC MARKETING PLANNING

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.)

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STRATEGIC MARKETING PLANNING



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STRATEGIC MARKETING PLANNING

Targeting consumers

Targeting consumers

- Before a company is capable of satisfying consumers, they must first understand their needs and wants. Effective marketing requires a careful examination of consumers and understanding buying behavioural aspects.
- As there are too many kinds of consumers with too many kinds of needs, **companies cannot satisfy all consumers in a given market.** Each company will have to divide the total market, choose the best segments and design strategies for serving them better than its competitors do.

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STRATEGIC MARKETING PLANNING

Targeting consumers

Targeting consumers: 5 step process

- 1/ Demand measurement and forecasting
- 2/ Market **s**egmentation
- 3/ Market **t**argeting
- 4/ Market **p**ositioning
- 5/ Competitive positioning

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STRATEGIC MARKETING PLANNING

Targeting consumers

Demand measurement and forecasting

- To estimate the market size, the company will have to identify all competing products, estimate the current sales of these products, and determine whether the market is large enough to support another product profitably.
- Also, the company will have to determine the future market growth. Growth potential may depend on factors such as growth rates of certain age groups, incomes and nationalities of groups that use the product.

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STRATEGIC MARKETING PLANNING

Targeting consumers

Market segmentation

- The process of dividing a market into groups of buyers with different needs, characteristics or behaviour, who might require separate products or marketing mixes, is called: *market segmentation*.

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STRATEGIC MARKETING PLANNING

Targeting consumers: **S-T-P**

Market segmentation

- Segmenting the market involves grouping consumers in various ways, based on:
 - **geographical factors** (such as: countries, regions, cities),
 - **demographic factors** (such as: gender, age, income, education),
 - **psychographic factors** (such as social classes, lifestyles), and
 - **behavioural factors** (such as: purchasing occasions, usage rates, benefits sought by consumers, etc.).

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STRATEGIC MARKETING PLANNING

Targeting consumers: **S-T-P**

Market targeting

- After a company has defined market segments, it can enter one or several segments of a given market.
- Market targeting involves evaluating each market segment's attractiveness and selecting one or more segments to enter. A company should target segments in which it has a **differential advantage** over its competitors.

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STRATEGIC MARKETING PLANNING

Targeting consumers: **S-T-P**

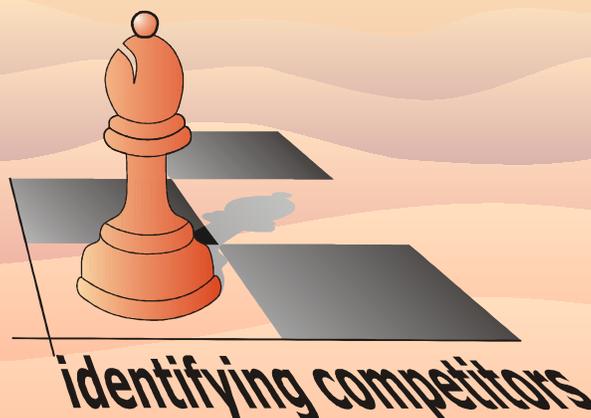
Positioning

- After a company has decided which market segments to enter, it will have to decide what position it wants to occupy in those segments.
- A product's / organization's position is the place the product / organization occupies, **in the minds of its targeted consumers**, compared to its competitors.
- In positioning its product, the company needs to identify **possible competitive advantages** upon which to build the position.

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STRATEGIC MARKETING PLANNING



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STRATEGIC MARKETING PLANNING

Identifying competitors

Market leader

- the firm in an industry with the largest market share, usually ahead of other firms regarding price changes, new product introductions, distribution coverage and promotion expenditures.
- Well-known market leaders include: Coca-Cola, MacDonald's, Marlboro, Sony, Shell, Chanel, L'Oréal.

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STRATEGIC MARKETING PLANNING

Identifying competitors

Market challenger

- a runner-up (#2) firm in an industry that is fighting hard to increase its market share.
- Usually market challengers will attack their competitors aggressively to get more market share.
Well-known market challengers include: Lexus (challenging Mercedes), Airbus (challenging Boeing or v.v.), Addidas (challenging Nike)

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STRATEGIC MARKETING PLANNING

Identifying competitors

Market follower

- a firm in an industry, holding a 3rd or lower position in the market, that wants to hold its share without disturbing the market.
- Market followers usually seek stable market shares and profit by following their competitor's product offers, prices and marketing programmes.

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STRATEGIC MARKETING PLANNING

Identifying competitors

Market nicher

- a firm in an industry that serves small segments that other, often much larger, firms overlook or ignore.
- Market nichers avoid direct confrontations with the big companies by specializing along market, customer, product or marketing-mix lines. Well-known market nichers are Ferrari, EasyJet, New Balance, Rolex, Bang & Olufsen, etc.

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STRATEGIC MARKETING PLANNING



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STRATEGIC MARKETING PLANNING

The marketing plan, in general

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Usual sections in a product or brand plan (1/3)

- **Executive summary** of main goals and recommendations in the plan.
- **Marketing audit**: periodic, systematic examination of the company's environment, objectives, strategies and activities.
- **SWOT analysis**: determination of most important opportunities and threats in the market, in relation to a brief list of critical success factors in the market, rating strengths and weaknesses against the competition.

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STRATEGIC MARKETING PLANNING

The marketing plan, in general

Usual sections in a product or brand plan (2/3)

- **Objectives and issues:** the objectives the company sets out, plus issues that might or will affect them.
- **Marketing strategy:** the broad marketing strategy ('game plan') for achieving the objectives
- **Marketing mix** outlining marketing mix elements in each target market: new products, advertising, sales promotions, prices, etc.

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STRATEGIC MARKETING PLANNING

The marketing plan, in general

Usual sections in a product or brand plan (3/3)

- **Action programmes** showing when which activities will start, be reviewed and be completed.
- **Budgets** covering the purchase of materials, production scheduling, personnel planning, etc.
- **Implementation** pointing out the 'who-where-when & how' aspects.

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