CONTINUING PROFESSIONAL DEVELOPMENT

STRATEGIC MARKETING MANAGEMENT

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Strategic Marketing Management

Introduction

This course is designed to help you understand and learn advanced principles of marketing and is aimed at marketing managers, or professionals who are working in business or commerce. Who have perhaps a qualification in marketing and several years' experience of working in a marketing role, or managers who would like to increase their marketing knowledge.

Part of the course's assessment of learning will involve you in undertaking an assignment based on a marketing strategy plan carried out in your own company/organisation. You will be given detailed guidance and advice about this element of assessment later in this workbook.

Aims of the unit

The aim of the unit is to identify and discuss key issues associated with marketing principles. The course is focused on strategic principles of marketing, which form an essential underpinning to an understanding of strategic marketing in action. The theoretical underpinning will be complemented by a series of short work-based activities.

Objectives of the unit

- To equip you with the knowledge and skills to understand and interpret strategic marketing principles
- To provide you with practical experience of applying strategic marketing principles and preparing a strategic marketing plan within your own company/organisation.

Learning outcomes

On successful completion of this Unit you should be able to:

- Understand the strategic marketing process

- Recognise the importance of creating strategic advantage

- Produce a strategic marketing plan in your own company/organisation

- Understand the importance of developing a specific competitive position

Strategic Marketing Management

What does this workbook contain?

This workbook contains a number of information and learning resources:

- Background and contextual information about strategic marketing management
- Key ideas, theories, concepts, structures, processes in relation to strategic marketing
- ‘Recall and review’ and ‘Activity’ points designed to engage you in reflection and action-focused thinking
- Case examples of strategic marketing in action

Assessment

You are required to write a 2,500-word assignment as follows:

Prepare a strategic marketing plan for your own company/organisation, paying particular attention to creating and sustaining a competitive advantage over rival firms.

How should this workbook be used?

This workbook will direct your study throughout the learning experience. There are six sections, designed to be studied sequentially. However, a good learning technique is to refresh your learning by re-reading, so you are recommend to read back and forth between sections whenever you feel the need. Each section deals with a different topic and, together with any associated activities, practical work or further reading, is designed to require approximately 20 hours of study.

The workbook uses an interactive learning approach. This is achieved through the use of self-assessment questions and activities throughout the text. These will enable you to apply the concepts presented in the workbook and explore issues that extend your knowledge and skills.

Preparing to use the workbook

If you are new to the study of marketing and/or this study method, then we suggest it is worth you spending some time becoming familiar with its contents and approach to learning and development. This will enhance your own understanding of key ideas in strategic marketing management, and your ability to lead and facilitate the learning of others.

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Unit 1

The core theme of this unit is the importance of market-led strategic change to ensure organisational success.

Objectives

By the end of this unit you will:

- Be able to discuss, and give examples of drivers of change
- Understand the relationship between corporate and marketing strategy
- Know the process and structure of marketing planning and be able to discuss the differences between strategic and tactical planning

Drivers of change

Change is inevitable and companies that wish to maintain a market-led approach must take into consideration both cyclical and evolutionary change when developing their marketing strategies. The rate at which the external environment changes varies according to the nature of the business but increasingly all organisations are facing escalating levels of change.

Change is inevitable. To survive companies need to adapt and to convert the threats caused by the changing environment into opportunities in order to avoid 'strategic drift'.
Marks and Spencer is a prime example of a company that has not adapted to the changing customer demands and as a result has lost many of its loyal customer base.

Case history

Drivers of change

Greenhalgh (2001) identifies the following drivers of change that have created challenges for companies over the last few years:

- Domestic businesses of any significance have become rare. They are now global, drawing on supply chains that transcend national boundaries and serving customers worldwide
- Customer expectations of quality have increased and are now applied to all goods and services, rather than just luxury goods
- Concern for the environment has become a major item on companies' agenda. They now have to consider their environmental responsibility as well as their profits.
- Large institutional investors are exerting their influence on how organisations are managed
- Start-up companies play an important role in introducing innovative products and new ideas to the marketplace. Young, technologically-competent workers are drawn to these vibrant workplaces, making it harder for other companies to recruit and retain them

Activity 1.1

Consider the drivers of change outlined above. Identify the impact of these factors on your own company/organisation.

What is strategy?

The term strategy is probably one of the most used and often misunderstood terms in business. There is no universal definition of strategy and yet it is used extensively. Strategy has the same meaning whether we are discussing corporate, marketing, promotional or even advertising strategy: it is concerned with how we might achieve our objectives. The difference between each type of strategy relates to the level at which the strategy is being developed. *Corporate strategy* according to Johnson and Scholes (1999), is:

> “concerned with what types of business the company as a whole should be in and is therefore concerned with decisions of scope”

whereas *marketing strategy* aims to transform corporate objectives into a competitive market position.

The main role of marketing strategy is to differentiate products/services from those of competitors by meeting the needs of customers more effectively. Therefore, according to Drummond and Ensor (2001) marketing strategy can be characterised by:

1. Analysing the business environment and defining customer needs
2. Matching activities to customer needs
3. Implementing programmes to achieve a competitive position relative to competitors

Strategic management consists of three elements:

- *Strategic analysis* - concerned with answering the question ’where are we now?’ This involves analysing the external environment, internal resources and capabilities and stakeholder expectations
- *Strategic choice* - what are the options available and which is the most attractive?
- *Strategic implementation* - often the most overlooked of strategy. It is concerned with allocating resources and turning the plans into action.

This process can be as equally well applied to marketing strategy.

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The corporate strategy/marketing interface

It is impossible to discuss marketing strategy without first putting it into the context of corporate planning. The relationship between corporate planning and marketing planning can best be explained by figure 1.1 below. It is helpful to think of these decisions sitting in a hierarchy with corporate planning at the top and marketing planning below it. The diagram also illustrates that, alongside marketing planning, plans should be developed for other functional areas of the business such as human resources management (HRM), logistics, and operations. The vision and mission will drive the overall direction of the company and the functional areas of business will all work towards achieving the corporate objectives. The vision and mission will be discussed in Unit 3 - ’Strategic intent’.

Figure 1.1 Corporate and marketing planning hierarchy

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Marketing strategy is concerned with three elements - customers, competitors and internal corporate issues as illustrated in Figure 1.2. Strategic marketing management has three major phases: firstly, strategic analysis in order to answer the question where are we now?

This will include external analysis of customers, competitors and the macro environment and internal analysis of corporate capabilities; secondly formulation of strategy in terms of creating and evaluating options and thirdly implementation where the strategies are translated into action. The three stages are not mutually exclusive and are not necessarily linear. In fact it is expected that there will be some feedback and amendments as the process progresses.

Figure 1.2 The basis of marketing strategy (Drummond and Ensor, 2001)

Strategic marketing plans

A strategic marketing plan is the means by which the strategy is communicated within the organisation. The structure and content of a strategic marketing plan will vary considerable between organisations. However, normally the following components are included:

- Current situation - external and internal analysis
- Objective setting
- Strategy formulation
- Marketing programmes
- Implementation issues
- Control measures

There is no one best format for a strategic marketing plan and organisations will develop their own frameworks that match the needs of their companies. Strategic marketing plans need to generate action and not just be filed away. They should also be sufficiently flexible to take into account the changing environment.

Activity 1.2

1. Read a copy of your own organisation's strategic marketing plan.

2. Give your opinion on whether the strategies outlined in it have been actioned.

3. Has the plan shown sufficient flexibility to take into account the changing environment.

4. If the answer to 3. is no, how could the plan have been improved?

Summary

In this unit we have seen that:

- Organisations operate in a dynamic environment and therefore they have to take into consideration those external influences that will impact on their business. These influences are often referred to as drivers of change.

- In market-oriented organisations it is likely that marketing will be the largest contributor to corporate strategy. Corporate strategy is concerned with what types of business the company as a whole should be in, i.e. the scope of the business. Marketing strategy is concerned with transforming corporate objectives into a competitive market position.

- A strategic marketing plan is the vehicle by which the marketing strategy is communicated within the organisation. The structure and format of a strategic marketing plan will vary considerably between organisations. There is no one 'best' structure.

References

Drummond G and Ensor J (2001), *Strategic Marketing Planning and Control*,Butterworth-Heinemann

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Unit 2 Marketing Information System (MIS)

Introduction

The focus of this unit is to understand how the use of marketing intelligence and key marketing information can assist marketing managers to produce an effective marketing information system which will assist marketing decision makers to return higher profits.

Objectives

Upon successful completion of this unit you will:

- Understand the strategic use of information
- Understand how a MIS can assist marketing managers to make key decisions

Marketing information is a key requirement for any strategic marketing plan and therefore the development of effective management and marketing information systems is an important task for marketers.

Senior marketing managers should not become too heavily involved in the details of the MIS and marketing research but should be concentrating on how to utilize the information in helping to understand the market and develop successful marketing programmes.

Definition

A Management Information System consists of people, equipment and procedures to gather, sort, analyze, evaluate and distribute timely and accurate information to marketing decision makers.

The MIS begins and ends with marketing managers. First, it interacts with them to assess their information needs. Next, it develops the needed information from internal company records, marketing intelligence activities and the marketing research process. Information analysis processes the information to make it more useful. Finally, the MIS distributes information to managers in the right form at the right time to help them in marketing planning, implementation and control.

Developing information

The information needed by marketing managers comes from internal company records, marketing intelligence and marketing research. The information analysis system then processes this information to make it more useful for managers.

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Internal records

Most marketing managers use internal records and reports regularly, especially for making day to day planning, implementation and control decisions.

Internal records information consists of information gathered from sources within the company to evaluate marketing performance and to detect marketing problems and opportunities. The company's accounting department prepares financial statements and keeps detailed records of sales, orders, costs, and cash flows. The customer service department provides information on customer satisfaction or service problems. Research studies done for one department may provide useful information for several others. Managers can use information gathered from these and other sources within the company to evaluate performance and to detect problems and opportunities.

Information from internal records is usually quicker and cheaper to get than information from other sources, but it also presents some problems. Because internal information was collected for other purposes, it may be incomplete or in the wrong form for making marketing decisions. For example, accounting department sales and cost data used for preparing financial statements need adapting for use in evaluating product, sales force, or channel performance. In addition, the many different areas of a large company produce great amounts of information, and keeping track of it all is difficult. The marketing information system must gather, organize, process and index this mass of information so that managers can find it easily and obtain it quickly.

Marketing intelligence

Marketing intelligence is everyday information about developments in the marketing environment that helps managers prepare and adjust marketing plans. The marketing intelligence system determines the intelligence needed, collects it by searching the environment and delivers it to marketing managers who need it.

Marketing intelligence comes from many sources. Much intelligence is derived from the company's personnel - executives, engineers and scientists, purchasing agents and the sales force. However, company people are often busy and fail to pass on key information. It is important to realise that staff are intelligence gatherers, and they need to be trained to spot new developments and urged to report intelligence back to the company.

The company must also persuade suppliers, resellers and customers to pass along important intelligence. Some information on competitors comes from what they say about themselves in annual reports, speeches, press releases and advertisements. The company can also learn about competitors from what others say about them in business publications and at trade shows. Or the company can watch what competitors do – buying and analyzing competitors' products, monitoring their sales and checking for new patents.

Companies also buy intelligence information from outside suppliers. Dun and Bradstreet is the world's largest research company with branches in forty countries and a turnover of $1.26bn. Its largest subsidiary is Nielsen who sell details on brand shares, retail prices and percentages of stores stocking different brands.

Marketing intelligence can work not only for, but also against a company. Kellogg used to allow the public to tour its plants but recently closed its newly upgraded plant to outsiders to prevent competitors from getting intelligence on its high tech equipment.
Some companies set up an office to collect and circulate marketing intelligence. The staff scans relevant publications, summarizes important news and sends news bulletins to marketing managers. It develops a file of intelligence information and helps managers to evaluate new information. These services greatly improve the quality of information available to marketing managers.

To summarise it is clear that a MIS has four main components:

- **Internal records -** there is a wealth of information available within the organisation and it is essential that it is organised in such a way as to facilitate its usage. This may include sales data, customer orders, prices, stock levels, customer complaints, etc.
- **Marketing research -** this is concerned with the systematic collection of information that is specific to a particular problem. For example, a piece of marketing research may be commissioned to investigate attitudes to a new advertising campaign.
- **Marketing intelligence -** this may include any information that is collected on an ad hoc basis, such as competitor intelligence gleaned from the press, customer trends, registered patents etc.
- **Marketing decision support systems** - the processes that convert the data into usable information. For example, statistical tools or modeling techniques.

Activity 2.1

Write a short summary detailing how a MIS is used to support management decision making in your own company/organisation.

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Intelligence gathering: checking out competitors

Competitive intelligence gathering has grown dramatically as more and more companies need to know what their competitors are doing. It is essential that managers are not myopic and spend time amassing information about their major competitors.

Techniques that companies use to collect their own marketing intelligence fall into four major groups.

Getting information from recruits and competitors' employees

Companies can obtain intelligence through job interviews or from conversations with competitors' employees. According to Fortune magazine:

'Companies send engineers to conferences and trade shows to question competitors' technical people. Often conversations start innocently but engineers and scientists often brag about surmounting technical challenges, in the process divulging sensitive information'.

Getting information from people who do business with competitors

Key customers can keep the company informed about competitors and their products. This information can be vital and can prevent a company from being left behind on product launches or price discounting strategies dreamed up by competing companies.

Intelligence can also be gathered by infiltrating customers' business operations. Companies can provide their engineers free of charge to customers. The close collaboration the engineers on loan enjoy with the customers design staff often enable them to learn what new products competitors are developing.

Getting information from published materials and public documents

Keeping track of seemingly meaningless published information can provide competitor intelligence. For example, the types of people sought in job adverts can indicate something about a competitor's new strategies and products.

Getting information by observing competitors or analyzing physical evidence

Competitors can get to know competitors better by buying their products or examining other physical evidence. An increasingly important form of competitive intelligence is benchmarking, taking apart competitors' products and imitating or improving on their best features. Companies should take advantage of publicly available information but they should avoid practices that might be considered illegal or unethical.

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With all the legitimate intelligence sources now available, a company does not have to break the law or accepted codes of ethics to get good intelligence.

Activity 2.2

Write a short synopsis of how your own company/ organisation gathers intelligence on its competitors.

Summary

This unit has demonstrated that:

- Marketing intelligence is an essential component of an effective MIS
- Internal records are a vital source of information for marketing managers
- Senior marketing managers should be concerned with how to use the information generated from the MIS rather than with the details of the system
- Intelligence gathering can be carried out in various ways but it is important not to break the law or accepted codes of ethics

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Unit 3 Strategic intent

Introduction

The focus of this unit is to consider the aspirations and future plans of an organisation, and the components of a suitable mission statement and development of appropriate objectives.

Objectives

Upon successful completion of this unit you will:

- Be able to define the terms ’strategic intent’ / ’vision’ and ’mission statement’
- Know the components of good mission statements
- Be able to discuss the development of appropriate objectives

Strategic intent/vision and mission

Strategic intent refers to the aspirations of an organisation rather than just its current activity. According to Aaker, strategic intent provides:

> “A long-term drive for advantage that can be essential to success. It provides a model that helps break the mould, moving a firm away from simply doing the same things a bit better and working a bit harder than the year before. It has the capability to elevate and extend an organisation, helping it reach levels it would not otherwise attain.”

It is apparent that many organisations that have an appropriate and well-constructed vision are focused on the future and ways of continually attaining sustainable competitive advantage. A vision can help guide strategy, identify and maintain core competencies and provide inspiration and motivation to its managers and its employees by providing them with a sense of purpose.

Hamel and Pralahad (1989) suggested that strategic intent combines:

- A ’dream’ that energizes the company’ (i.e. acts as a motivator)
- Implied ’stretch’, (looks for new opportunities rather than relying on existing businesses)
- A sense of direction
- A sense of discovery
- Coherence to plans

Definition

Strategic intent/vision: The desired future state or aspiration of the organization. (Johnson and Scholes, 1999, p.243)

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Mission statements

A mission statement is concerned with providing daily guidance rather than a vision of the future. According to Piercy (2000), in order for mission statements to contribute anything they must:

- Reflect an organisation’s core competencies and how it intends to apply and sustain them
- Be closely tied to the critical success factors in the marketplace
- Tell employees, managers, suppliers and partners what contribution is required from them to deliver the promise of value to the customer

Definition

Mission statement: A generalised statement of the overriding purpose of the organisation. (Johnson and Scholes, 1999,p241)

Mission statements are influenced by a number of factors, such as the resource availability, the external environment, the core competencies of the organisation and the current preferences of its current chief executive and senior management. The extent to which the mission statement serves its purpose is influenced not only by the quality and relevance of the mission but also by how it is communicated to staff and other stakeholders. A successful mission statement is one that is wholly embraced and ’believed’ by staff. Just having a mission statement is insufficient, the staff must also ’buy into’ the idea.

Drummond and Ensor (2001) suggest that successful mission statements should demonstrate the following characteristics:

- Credibility - it must be realistic and believable
- Uniqueness - not bland and generic
- Specific capabilities - embrace core capabilities
- Aspirational - needs to motivate individuals

Activity 3.1

Write a brief critique of your own company’s mission statement in the light of the above characteristics

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Goals and objectives

The vision and mission provide guidance on the overall direction of an organisation. Objectives, whether corporate or marketing, are the expected outcomes of the strategy.
Goals are often regarded as less specific than objectives and more difficult to measure. However, it is normally accepted that objectives should be SMART:

- Specific
- Measurable- expressed in quantifiable terms
- Acceptable - to stakeholders
- Realistic- attainable
- Time bound- achievable within a certain time frame

Definition

Goals and objectives

- Goal - general statement of aim or purpose
- **Objective -** Quantification (if possible) or more precise statement of the goal

(Johnson and Scholes, 1999,p14))

Activity 3.2

Critically review your company's key objectives using the SMART method

There are many different types of objectives with which an organisation should be concerned. Drucker (1954) identified the following:

- Market standing - e.g. market share objectives
- Innovation - e.g. number of new products launched
- Productivity - e.g. inputs compared with outputs such as increased sales whilst maintaining the same number of sales staff
- Physical and financial resources - relating to the use of resources
- Profitability - e.g. return on investment
- Manager performance and development - performance criteria
- Employee performance and attitude - loyalty

• Public responsibility - e.g. reduce dependency on fossil fuels

It is likely that many organisations will place greater weighting on some areas than others. For example, the Co-operative bank places great emphasis on their responsibility to the public in the form of their ethical banking policy. There may be a danger that some companies are preoccupied with productivity objectives and trying to improve the efficiency of existing activities without actually questioning whether they are doing the right things.

Stakeholders

A key consideration when developing strategic direction relates to an organisation's various stakeholder groups. Stakeholders refer to all the different groups of individuals that are influenced and/or have influence on the activities of an organisation. Stakeholders have different expectations and can exert varying levels of influence over the organisation. It is important that organisations have a good understanding of the varying needs of their various stakeholder groups. There are three main groups of stakeholders:

- Internal stakeholders (employees, management)
- Connected stakeholders (suppliers, distributors, shareholders, customers)
- External stakeholders (community, government, pressure groups)

Definition

Stakeholders: Those individuals or groups who depend on the organisation to fulfil their own goals and on whom, in turn the organisation depends. (Johnson and Scholes, 1999, p213).

The following figure illustrates an outline stakeholder map.

Customers

Banks/sources of finance **Suppliers**

The local community Distributors

Society at large Managers

Employees

Figure 3.1

Activity 3.3

Stakeholder map

1. Draw a stakeholder map for your own organisation and consider the varying needs of each group and the implications on the organisation’s strategic direction.

2. How does your organisation manage the differing expectations of each group?

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Summary

This unit has shown that:

- Strategic intent relates to the aspirations of an organisation and is sometimes referred to as the organisation's vision. An appropriate and well constructed vision can help guide strategy, identify and maintain core competencies and can act as a motivator for staff by providing them with a sense of purpose.

- Mission statements are more concerned with providing daily guidance rather than a vision of the future. They should reflect an organisation's core competencies, relate to the critical success factors in the market and also inform employees and other stakeholders what contribution is required from them to deliver value to the customer.

- Objectives are a statement of what an organisation wants to achieve and wherever possible, they should be SMART.

- Stakeholders are a key consideration when developing strategic direction. Stakeholders consist of all those individuals who are influenced by the activities of an organisation and include internal stakeholders (employees and management), connected stakeholders (suppliers, distributors, shareholders and customers) and external stakeholders (community, government and pressure groups).

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Unit 4 Creating strategic advantage

Introduction

The focus of this unit is to look closely at how companies can differentiate themselves from their competitors by using a range of strategies.

Objectives

Upon successful completion of this unit you will:

- Understand the term ‘strategic advantage’
- Be able to describe, discuss and apply Porter’s generic strategies
- Understand the various types of alliances and networks, be able to discuss the motivations for and the factors that should be considered when establishing such relationships
- Be able to discuss the alternative strategies for declining and hostile markets
- Understand the concept of and the reasons for, strategic wear-out

Approaches to developing strategic advantage

One of the greatest challenges for any organisation is developing a coherent and appropriate strategy that builds on their internal resources and capabilities, capitalizes on external opportunities and will provide a distinct competitive advantage. Competitive advantage is the process of identifying a unique and enduring basis from which to compete.

Porter’s generic strategies

Porter (1980), a major contributor to the discussion of competitive strategy, suggests that there are three generic types of strategy that can provide organisations with a competitive advantage:

- Cost leadership
- Differentiation
- Focus

Figure 4.1 illustrates the alternative sources of competitive advantage and highlights the options open to companies in terms of defining their source of advantage and their competitive scope (i.e. targeting a broad or narrow range of customers).

Strategic advantage

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|                         |Uniqueness perceived Low cost position          |
|                         |                                                |
|Broad industry –wide     |                                                |
|                         |                                                |
|                         |                                                |
|                         |                                                |
|Strategic target         |                                                |
|                         |                                                |
|                         |                                                |
|Narrow specific segment  |                                                |
|                         |                         |                         |
|                         |Differentiation          |Overall cost leadership |
|                         |                         |                         |
|                         |                         |                         |
|                         |Focused differentiation  |Focused cost leadership |
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Figure 4.1

Cost leadership

One possible source of competitive advantage lies in the ability of a firm to be the lowest cost producer in the industry. Firms pursuing a cost leadership strategy would typically concentrate on continually striving to reduce their cost base and improving efficiencies. This could be achieved through activities such as achieving economies of scale, cutting costs, global sourcing and using technology to develop more efficient means of production. Retailers, specialising in a narrow product range that seek out of town locations, (such as PC World) are able to achieve economies of scale and therefore pursue a cost leader strategy.

Cost leadership can be a difficult strategy to sustain in the long-term due to the threat of competitors that may have even lower cost structures. For example, the U.K. based discount retailer Kwik Save was threatened by the entry of German -based Aldi and Lidl into the low cost retail market and was subsequently sold off due to operating losses.

Differentiation

Companies pursuing a differentiation strategy strive to offer products or services that are regarded as superior to those offered by competitors. The uniqueness of the product enables companies to charge a premium price. For this strategy to be successful customers must perceive that the higher price is justified in terms of the additional features and benefits they accrue. For example, Gap sell children's clothing at a significantly higher price than other High Street retailers.

Focus

Cost leadership and differentiation strategies both target a broad market. In contrast, a focus strategy concentrates on a narrow segment of the market that is particularly attractive. A focus strategy, sometimes referred to as a niche strategy, is based on the assumption that these niche markets can be served more effectively and efficiently than by companies that are competing more broadly. Companies pursuing a focus strategy can adopt either a cost focus or a differentiation focus strategy.

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Cost focus
Companies pursuing a cost focus strategy are concentrating o a niche market but are also concentrating on reducing costs. EasyJet has adopted a cost focus strategy, which has been very successful. It has concentrated on a narrow segment of the population and has driven costs down by direct bookings and removing all the peripheral services associated with air travel, such as on-board meals.

Differentiation focus
This is concerned with producing superior products for narrow market segments, such as Rolex watches and Ferrari cars.

Activity 4.1

1. Using Porter’s model, select an example of a company that pursues a cost leadership strategy.

2. To what extent does this model help companies to identify their competitive advantage?

Alliances and networks
Increasingly businesses are recognising that to gain a sustainable competitive advantage they may have to enter into alliances with other firms.

Definition
Strategic alliance: Business associations in which knowledge and resources are shared to the benefit of the partners

Motivations for companies to enter into strategic partnerships include:

- Desire to exploit economies of scale
- Desire to create new knowledge and increase level of innovation
- Reduce risk
- Enter new geographical markets
- Exploit other assets and competencies - for example Easyjet entered into a strategic partnership with Mercedes to provide cars for their car rental venture.

Types of alliances

There are many types of alliances ranging from an informal buying co-operative to a joint venture where a legally separate company is formed. The following table (Table 4.1) illustrates the major types of alliances.

Table 4.1

Type of Alliance	Characteristics	Examples
Acquisitions and mergers	Includes both co-operative and hostile takeovers. Often motivated by desire to increase efficiencies and to create synergy	Glaxo Wellcome merged with SmithKline Beecham in 2000 to form GlaxoSmithKline, the largest pharmaceutical company in Europe.
Consortia and joint ventures	Involves independent organisations setting up specific projects or ventures with other firms.	Eurofighter, a European collaboration consisting of four Partner companies-BAE Systems (UK), Alenia (Italy), CASA (Spain), and DASA (Germany). The rationale was to reduce risk by sharing the significant development costs.
Contract or Licensing	Contractual agreements where the right to a product is legally signed over to another party. This may take the form of franchising or sub-contracting.	Franchising is utilized by a wide variety of companies such as McDonalds, Ford dealerships, Hertz car rental, and the Body Shop.
Networks	Informal agreements based on co-operation rather than contractual agreements.	Many airlines have informal code sharing agreements that allow passengers to use several different airlines on the same ticket.

Activity 4.2

Alliance examples

1. Scan the quality press, such as the *Financial Times* and journals such as *Marketing* and *Marketing Week* and identify examples of strategic alliances and partnerships. Classify these according to Table 4.1 and identify the motivations for each of these partnerships.

2. To what extent do you think they will help to gain a competitive advantage?

Declining and hostile markets

Many firms are faced not with healthy markets but ones that are mature or even declining. In this situation, many organisations assume that the most suitable strategy is one of strategic withdrawal. This is not necessarily the only strategy available to them and these markets can often be a source of opportunity if the right strategy is selected.

Declining markets

A declining market may be as a result of a variety of factors, often caused by changes in the external environment, for example:

- Development of new technology such as the Internet may replace traditional offline buying habits
- Changes in government policy such as regulations relating to financial services
- Growing interest in shopping on-line may prompt a decline for traditional retailers

There are several alternative strategies for firms facing a declining market:

- Revitalise market e.g. Lucozade changed its emphasis to a sports energy drink instead of a drink for people feeling poorly.
- Milk or harvest e.g. Sony continued to milk the market for Walkman whilst investing in Playstations
- Divest or liquidate e.g. W.H. Smith divested Do -It -All in the light of intense competition from larger players such as B & Q.

Hostile markets

Hostile markets are those with low margins, intense competition and over-capacity. Hostile markets may result from a declining demand or an increase in competition. Therefore they may even be growing markets.

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The following table (table 4.2) identifies six stages of hostility.

Stages of hostility	Explanation
1. Margin pressure	This is often due to over-capacity and therefore many competitors seek profitable segments.
2. Share shifts	This may result from acquisitions or loss of share by overpriced competition.
3. Product proliferation	Competition try to compete for market share by improving customer value through product proliferation.
4. Self-defeating cost reduction	Due to declining margins firms may concentrate on cost reduction, which in turn may lead to decline in product or service quality.
5. Consolidation and shakeout	This may consist of down sizing, followed by mergers and acquisitions and finally the formation of international players.
6. Rescue	Many markets can emerge from hostility, often through consolidation with fewer competitor present in the market

Strategic wear-out

Definition

Strategic wear-out: Strategic wear-out occurs when an organisation no longer meets customer needs and the pursed strategy is surpassed by competitors. (Drummond and Ensor, 2001).

There are many examples of companies that once had a successful strategy but have failed to adapt to the changing environment and have therefore suffered from 'strategic wear-out'. Marks & Spencer is a prime example of a company that is currently trying to overcome the problems of strategic wear-out.

According to Davidson (1997) there are a number of reasons for strategic wear-out:

- **Market changes:**
  - changing customer needs
  - developments in distribution such as the Internet
- **Competition** - from either existing or new competitors

Internal factors:

- insufficient investment
- lack of management control of company costs
- misguided changes to winning strategy

In order to avoid strategic wear-out companies should:

- undertake regular and detailed reviews of each element that makes up the external environment
- identify the ways in which these elements are changing
- evaluate the impact of these changes on the organisation
- undertake an internal audit to establish the appropriateness of actions both currently and for the future to ensure that customer needs continue to be met

Activity 4.3

Identify two examples of firms whose strategies are suffering strategic wear-out.

1. What factors have led to this strategic drift?

2. To what extent do you think this could be avoided?

3. What, if any, actions are the companies taking to try to rectify their position?

Summary

In this unit we have seen that:

- one of the greatest challenges for any organisation is to develop a coherent and appropriate strategy that builds on their internal resources, exploits external opportunities and provides a distinct competitive advantage
- Porter suggests that there are three generic forms of strategies that can provide a competitive advantage: cost leadership, differentiation or focus. Those companies that fail to consistently pursue one of these generic strategies will become 'stuck in the middle'.
- Strategic alliances are increasingly being regarded as a means of gaining a sustainable competitive advantage
- Companies that once had a successful strategy but have failed to adapt to the changing environment are in danger of suffering from strategic wear-out. This refers to a lack of strategic fit between an organisation's strategy and the market's needs.

References

Davidson H (1997) *More Offensive Marketing*, Penguin

Mazur L (2001) The only way to compete now is with an alliance, *Marketing*, 15 February, p.20

Porter M. (1980) *Competitive Strategy : Techniques for analysing Industries and Competitors*, Free Press

Strategic Marketing Management

Unit 5 Developing a specific competitive position

The main theme of this unit is how organisations can use innovation and new product development to gain a sustainable advantage over their competitors.

Objectives

Upon successful completion of this unit you will:

- Understand and be able to describe the strategic alignment process
- Understand the role of innovation in achieving a competitive advantage and the methods of encouraging an innovative culture
- Understand the criteria by which strategies can be evaluated

Strategy alignment process

Strategy can be regarded as the matching of an organisation's resources and capabilities to the environment in which it operates. The process is sometimes referred to as 'strategic fit'. It is a key step in the strategy development process and ensures that by matching markets, channels and customers with internal assets and competencies a sustainable competitive advantage is developed. It is not enough to just identify customer needs. The company must have the necessary skills and resources to meet these needs. This process is referred to as the strategic alignment process and is illustrated in table 5.1 as follows:

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Table 5.1

Stage	Process	Explanation
1	Identify utilizable assets	Assets could include brands, property, patents, finance, and relationships and scale advantages.
2	Utilizable competencies	Competencies relate to skills and may include marketing (e.g. ability to develop new and innovative products), selling (e.g. customer relationship management), operations (e.g. inventory control).
3	Select and rank business opportunities in terms of attractiveness	This involves identifying market opportunities and then developing criteria by which to measure the attractiveness of each option. Portfolio analysis can be used to identify the most attractive strategies. (This will be discussed later in greater detail in relation to segmentation.)
4	Match internal assets (stage 1) and competencies(stage 2) with market opportunities(stage 3)	This process will identify the areas in which it will be most effective for a company to compete.
5	Identify any assets or competencies that need to be strengthened	During the strategic alignment process it may be that market opportunities are identified but that firm lacks the ideal assets and competencies to capitalize on this opportunity. A firm may decide to develop or acquire the necessary competencies to exploit this market (e.g. entering into a strategic alliance, employing new staff, acquiring brands).

Innovation and new product development

Innovation has been referred to as the ’lifeblood’ of an organisation. A company must continuously seek real product and marketing improvements in order to satisfy customers and fend off competitors. Innovation is most often associated with new product development. However, this is only part of the equation and innovation relates to changes in products, processes and practices.

Jansen (2000) defines innovation as: ’The commercialization of something new, which may be:

- A new technology
- A new application in the form of a new product, service or process
- A new market or market segment
- A new organisational form or a new management approach

Or a combination of two or more of these elements’.

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Many organisations are striving to develop organisational cultures that encourage innovation. For example, in 1999, Procter and Gamble announced a major internal restructuring, sacking 13% of the workforce to streamline management and speed up decision -making. Innovation teams were set up within the company and the management of new ideas was passed to new business managers rather than existing businesses. These changes resulted in the successful launch of Swiffer, Febreze and Dryed.

Innovation is not the same as invention. There are very few ’inventors’ that have successfully invented a commercial business opportunity, notable exceptions being James Dyson, Bill Hewlett and Dave Packard. ’Inventors’ rarely develop innovations that change markets, make fortunes, and change the way the world operates. Innovation is led by commercial application, whilst invention is led by the scientific process.

Activity 5.1

Critically review your own company’s use of innovation, with reference to two or more concrete examples.

New product development (NPD)

It is apparent that new product development is a key aspect of the innovation process. The reality of new product launches is that the majority are not unique or novel. Many of the NPD launches are variations of existing products. Booz et al (1982) identified four types of new products:

- New to the world
- New product lines or line additions
- Product revision
- Reposition

There is much risk attached to new product development. Research in the USA found that less than 1% of products launched in 1998 achieved $100 million of sales in their first year. More than two thirds failed in their first year.

Failure of new products

There are a number of reasons that may account for the high failure rate of new products. Drummond and Ensor (2001) suggest the following:

- Under-investment
- Failure to deliver customer benefits
- Forecasting errors

- Internal politics
- Industry response

To this list could also be added:
- Lack of management enthusiasm
- The NPD process is too slow and beaten to market by competitors

Process

Traditionally companies adopted a linear process to NPD, as illustrated in Figure 5.1 below. However, it is still a useful framework for ensuring that all the major factors have been reviewed and considered. Firms are facing the dilemma of ensuring that new product ideas are assessed rigorously but at the same time getting new ideas to market first. The challenge facing organisations is to develop NPD processes that are still rigorous and yet enable firms to get to market quickly. Drummond and Ensor (2001) suggest the following strategies for optimising the NPD process.

- *Multi-functional teams* - to ensure a balanced viewpoint
- *Completeness and evaluation* **-** complete all stages of the NPD process
- *Customer involvement* **-** used to evaluate possible ideas and products
- *Parallel processing* - undertaking activities concurrently
- *Strategic direction* - links must be made between corporate strategy and NPD
- *Knowledge management* - the transfer of knowledge is essential to help develop a ’learning organisation’

Activity 5.2

Comment critically on the strengths and weaknesses of the process that your own company goes through prior to the launch of a new product or service**.**

Strategic evaluation

Once an organisation has identified the various strategic options available, it is then necessary to evaluate them in order to identify the 'best' strategy that will gain the best source of competitive advantage. In reality many companies do not adopt formal processes and instead rely on 'gut feel'. However, there are a number of approaches that can be adopted to assess strategies.

Criteria

Johnson and Scholes (1999) suggest a list of criteria by which companies can evaluate alternative strategies:

- **Suitability -** does it
    1. Exploit strengths and weaknesses?
    2. Rectify weaknesses?
    3. Deflect threats?
    4. Seize opportunities?

- **Feasibility** - can it be implemented?
    1. Sufficient finances?
    2. Deliver the goods?
    3. Deal with competitors' responses?
    4. Access to technology etc.?
    5. Time?

- **Acceptability:**
    1. To stakeholders?
    2. Legislation and environmental impact?

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Summary

In this unit we have seen that:

- Successful strategies rely on strategic fit between an organisation's resources and capabilities and the environment in which it is operating. This process is referred to as the strategic alignment process.
- Innovation is more than just developing new products. It relates to changes in products, processes and practices. Innovation has been referred to as the lifeblood of an organisation and companies are increasingly looking for ways to improve their level of innovativeness
- The new product development process has traditionally been regarded as a linear process. In order to speed up the development of new products it is increasingly being recognised that companies have to develop techniques such as parallel processing to increase the pace of development.
- Firms need to concentrate on creating the right organisational conditions and culture in order to facilitate effective innovation.
- Once an organisation has identified various strategic options it must evaluate them in order to identify the 'best' strategy. Some firms may rely on 'gut feel' whilst others develop criteria by which to evaluate the alternative strategies.

References

Davidson H (1997), *More Offensive Marketing*, Penguin

Drummond G and Ensor J (2001), Strategic Marketing Planning and Control, 2nd Ed., Butterworth-Heinemann.

Johnson G and Scholes K (1999) *Exploring Corporate Strategy*, 5th Ed, Prentice-Hall

Strategic Marketing Management

Unit 6 Implementation and control

This is the final unit in the module and its main theme is the challenge of implementing a strategic plan and transforming the plan into commercial reality. The implementation of plans is probably one of the most difficult tasks facing marketers. Control is also a vital component of any planning process. It is necessary in order to measure the success of the plan and to also inform future strategies.

Objectives

Upon successful completion of this unit you will:

- Be aware of , and be able to discuss, barriers to implementation of marketing plans
- Know the dimensions of an effective marketing feedback and control system
- Identify suitable control systems for measuring the success of plans

Implementation

Marketing implementation is concerned with translating marketing plans into action. The marketing plan is the vehicle for communicating the strategy within the organisation and addresses the issue of ’what’ should happen and ’why’ it should happen. Implementation is concerned with ’how’ the strategy should be carried out, ’who’ is to be responsible, ’when’ things will take place and ’where’ things will happen. Too often in organisations the implementation stage is overlooked and as a result a ’good strategy’ can fail. It is important therefore that organisations devote as much time and energy to the implementation of plans as they do to creating marketing strategies.

Strategy success

There are two factors that contribute to the success of a strategy:

- The strategy itself
- The ability to implement the strategy

Bonoma (1984) suggested that the various combinations of these factors would lead to four alternative business outcomes, as illustrated in Figure 6.1:

```
|                                                                                          |
|Strategy                                                                                  |
|                                  |       |Appropriate  Chance                           |
|                                  |       |                                              |
|                                  |       |                                              |
|                                  |Good   |                                              |
|Execution Skills                  |       |                                              |
|                                  |       |                                              |
|                                  |       |                                              |
|                                  |Bad    |                                              |
|                                  |       |                     |                         |
|                                  |       |Success              |Chance                   |
|                                  |       |                     |                         |
|                                  |       |Problem              |Failure                  |
|                                  |       |                     |                         |
```

Figure 6.1

Strategic Marketing Management

Success
This is the most desirable situation where an effective strategy is well implemented.

Chance
In this situation the strategy is weak. However, if the strategy is well implemented there could be a chance that it will be successful.

Problem
This occurs often. A strong strategy has been developed but is poorly executed, resulting in problems. It is interesting to note from this model that it is probably better to have an inappropriate strategy that is effectively implemented than a good strategy that is poorly implemented.

Failure
This is the least desirable outcome - a strategy is neither appropriate nor effectively implemented. Obviously this is a simplified model that will vary depending on the specific situation and the degree to which strategies are inappropriate. However, it does present a graphical representation of the importance of implementation in the planning process.

Activity 6.1

Refer to figure 6.1 and consider which quadrant your own company's marketing strategies would normally fall into. State the reasons for your selection.

The major problem with implementation of plans lies in the failure of companies to manage change successfully. Inevitably a new strategy is going to result in the need for change. Many people are resistant to change because they are familiar with the status quo and fear the consequences of change. Therefore any new marketing strategy is going to be met with suspicion, unless the company can engender a culture that not only accepts change but also welcomes it. Marketing managers need to be aware of the internal barriers that exist, and then need to develop strategies to overcome these barriers. Organisations need to learn how to effectively manage change.

Activity 6.2

Critically review the internal barriers to successful implementation that exist in your own company.

What barriers exist, why are they present and how might they be overcome?

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Control

The marketing planning process would not be complete without some form of evaluation of performance and assessment as to whether the marketing objectives have been achieved. There are three main components of control:

1. Setting targets/objectives against which performance can be measured.
2. Measurement of performance
3. Corrective action

A key aspect of control is that it should lead to corrective action. Failure to meet targets may be as a result of unrealistic objectives (and therefore targets may have to be reviewed) or poor performance of individuals (and therefore additional training, advice etc. may have to be offered). If targets are met then individuals should be rewarded and objectives may also have to be reviewed for the future.

Definition

Control: Control consists of verifying whether targets have been achieved. Its purpose is to identify any problems or errors in order to rectify them and prevent reoccurrence. It operates on everything - things, people and actions.

Evaluation of marketing plans can also be used to inform future marketing decisions. Therefore, the planning and control cycle is a continuous feedback loop.

Marketing performance control

Kotler et al. (1999) identify four main types of controls for marketing activity:

- **Annual planning** - this involves evaluating the performance of the previous year's marketing activities, such as sales, market share, customer satisfaction.
- **Profitability** - profitability is a major concern of any marketer. Profitability can be calculated not only by product but also by distribution channel, market segment or even individual customer.
- **Efficiency control** - this is concerned with optimisation of assets, for example, return on promotional spend. Figure 6.2 below illustrates some of the various measures that can be used to evaluate the marketing mix.
- **Strategic control** - it is imperative that marketing activity is ultimately helping to achieve organisational goals. This can be undertaken in the format of the marketing audit that will review all marketing activity

Figure 6.2

Activity 6.3

Control mechanisms

1. Identify your own company’s control mechanisms.
2. Classify them according to financial and non-financial controls.
3. How effective are these controls in helping to improve the marketing planning process?
4. What recommendations would you make to improve the control process?

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Summary

In this unit we have seen that:

- Marketing implementation is concerned with translating marketing strategy into action. This very important stage is often overlooked by many organisations. In some cases plans fail, not because they are inappropriate plans, but because they are poorly implemented.

- The development of an organisational culture that welcomes change is a key ingredient in the successful implementation of marketing plans. Managers need to be familiar with the process of change and the impact it has on people in order to effectively manage change.

- The final stage of the marketing planning process is the development of control mechanisms to monitor the success of marketing plans. The outputs of these measurements should be linked to action, in the form of either corrective action or the revisiting of marketing objectives. The results can also be used to inform future decisions.

References

Bonoma T. (1984), Making your Marketing Strategies Work, *Harvard Business Review*, 62:2, pp.68-76

Kotler, P, Armstrong G, Saunders J and Wong V (1999), *Principles of Marketing*, 2nd European Ed. Prentice-Hall.

Further study and additional learning resources

Now that you have completed this module there are a number of key texts that you can refer to in order to extend your knowledge.

Dibb S, Simkin L, Pride W, and Ferrel O C (2000), *Marketing: Concepts and Strategies*, 4th Ed. Houghton Mifflin.

Wilson G (1993), *Making Change Happen*, Pitman

Ohmae K (1990), *The Mind of the Strategist*, Penguin

You may also like to consult the Chartered Institute of Marketing's web site at www.cim.co.uk which has details of courses and qualifications in marketing, plus interesting articles and other useful links.

Vision

Mission

Operations Objectives

Corporate Objectives

Logistics Objectives

Corporate Strategy

HRM Objectives

Marketing Objectives

Marketing Strategy

Marketing Tactics

Internal corporate factors

Marketing Strategy

Achieving a superior competitive position within a defined market
-Segmentation
-Targeting
-Positioning

Competition

Customer

Organisation

Idea Generation

Idea gggeneraEvaluation

Concept Development

Business Evaluation

Product Evaluation

Product Launch

Price

- Profit margin
- Discount levels
- Price per segment/customer
- Price relative to competition

Marketing Activity

Place

- Channel sales- value and volume
- Channel growth
- Dealer satisfaction
- Delivery time
- Stock levels
- Visits to website

Promotion

- Awareness levels
- Customer attitude tracking surveys
- Cost per enquiry/sale
- Media coverage
- Sales staff effectiveness e.g. sales per representative

Product

- Market share
- Sales/sales by segment
- Number of new product launches
- Repeat purchases
- Warranty claims
- Customer satisfaction