

Marketing

Lecture 2:

Developing marketing strategies and plans

11.3.2021

Outline Lecture 2

- I. Marketing and customer value
- II. The Value Chain
- III. Value creation and delivery and core business processes
- IV. Core competences
- V. Marketing planning



What is the value?

What is the value?

How do you define value?

Can you measure it?

*What are your products and services
actually worth to customers?*

What is the value?

“Everything is worth what its purchaser will pay for it.”

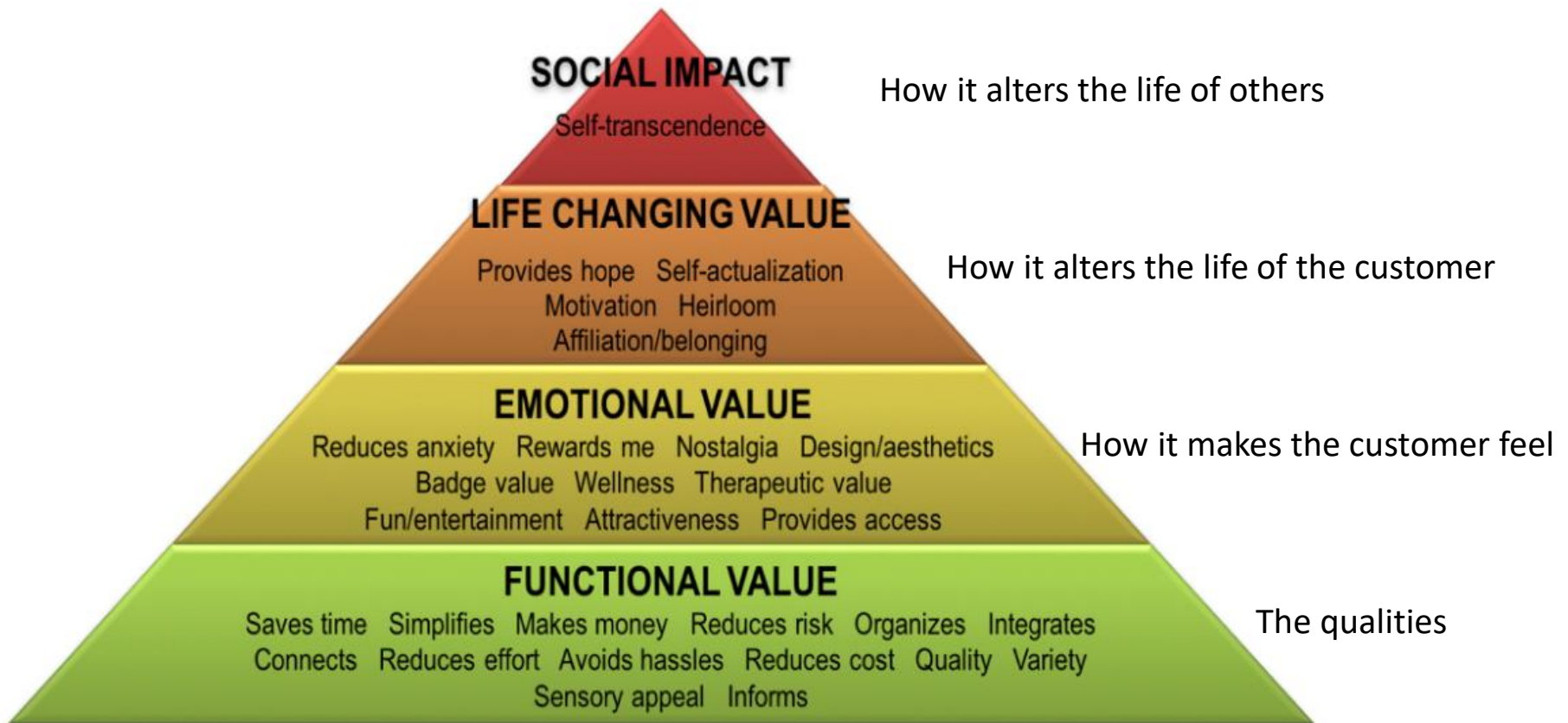
Publilius Syrus, first century B.C.

Value = Benefits - Cost

Value = Benefits - Efforts - Risks - Price

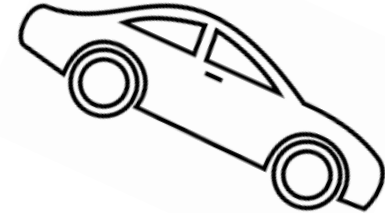
Customer-perceived value is the overall assessment of the utility of a product based on perceptions of what is received and what is given

Elements of Value Pyramid (Bain & Company)



Example:

Customer Values in an Auto Shop



An auto shop that offers state inspections, oil changes, and tune-ups may use: organizes, reward me, and informs. The auto shop could:

- a. Create auto profiles so customers can track their services and receive notifications when services are due (organizes).
- b. Implement loyalty programs that reward customers for their continued patronage (reward me).
- c. Provide in-store educational digital signage content that describes products and services in a way that customers who are unfamiliar with the auto industry can understand (informs).

Marketing and Customer Value

“Create, Communicate, and Deliver Value to a Target market at a Profit”.

- Kotler

- Marketing Strategy

Marketing isn't just about generating sales in the short term, it's about creating a strong brand and value proposition that ensures customer loyalty, referrals and long-term success.

Value delivery process:

Traditional view: during the selling process vs. **New view:** at the beginning of planning, the customer is at the center of attention

- 1. choosing the value** represents the “homework” marketing must do before any product exists = Marketers must segment the market, select the appropriate target, and develop the offering's value positioning. STP is the essence of strategic marketing
- 2. providing the value** = Marketing must determine specific product features, prices, and distribution
- 3. communicating the value** by utilizing the sales force, Internet, advertising, and any other communication tools to announce and promote the product.

Marketing and Customer Value

USP – unique selling proposition

„If you buy my product, you get this and this“
compared to value, it is more rational, faster, tactical

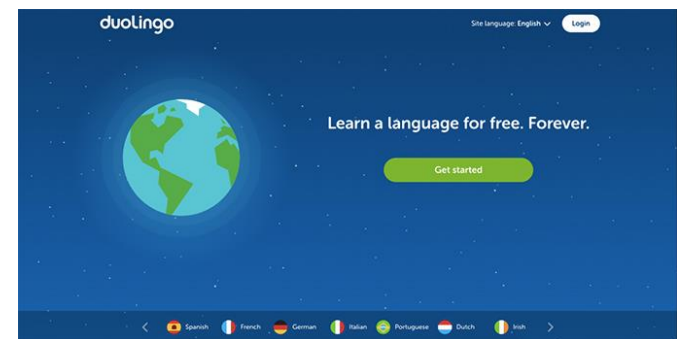
What should people take from the experience with your product - that's the **value**
what argument you say if someone asks why they should buy your product - that's a **USP**

"Strategy is based on a differentiated customer value proposition. Satisfying customers is the source of sustainable value creation."
(Kaplan and Norton)

UVP – unique value proposition

a promise of value to be delivered

- How your product solves customers' problems or improves their situation
- Deliver specific benefits
- Differentiation
- Not a slogan or positioning statement



[How Duolingo Built a \\$700 Million Company Without Charging Users](#)

Value chain

A value chain as the primary tool for identifying ways to create more value for the customer. (M. Porter)

Primary activities

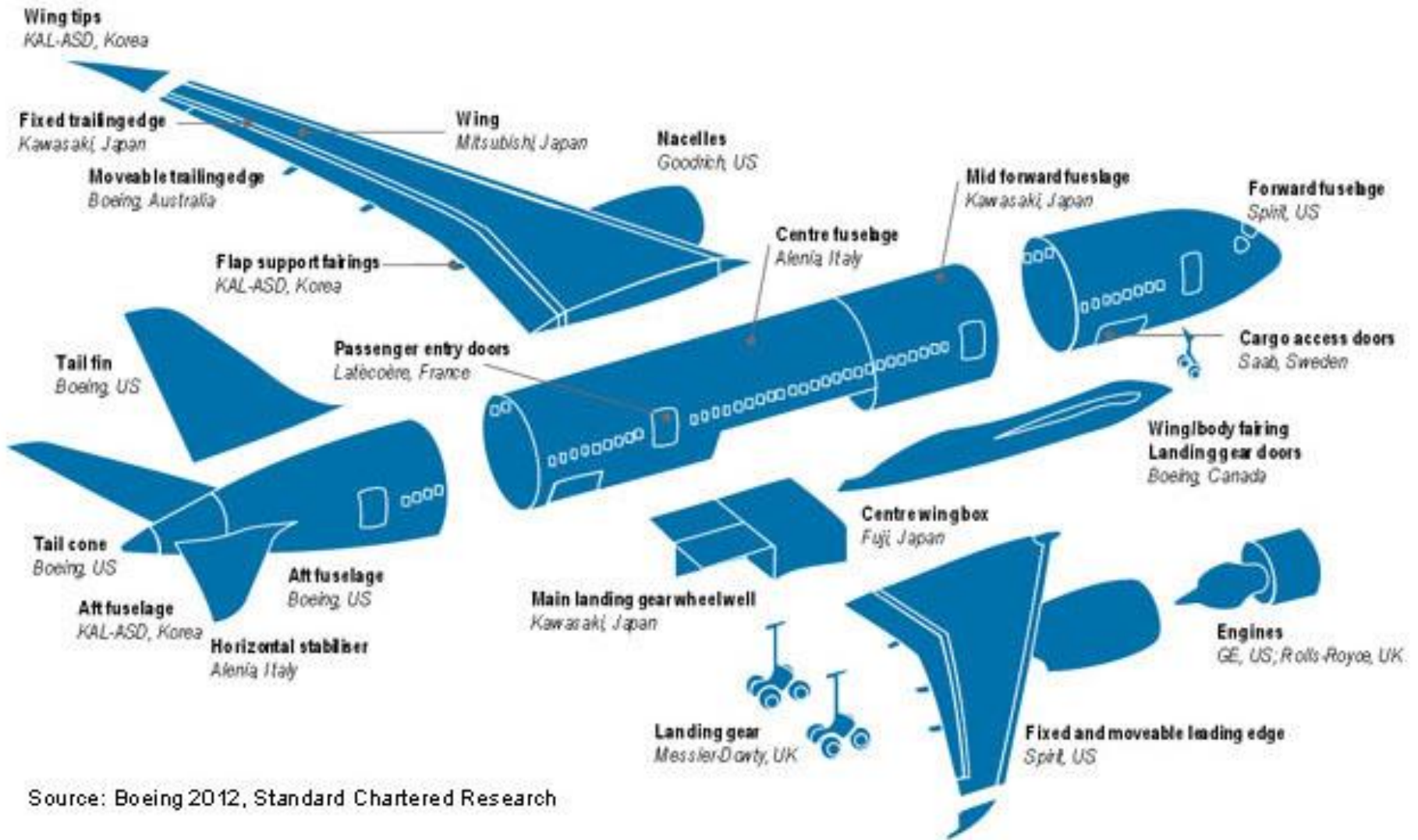
- **Inbound logistics.** The activities concerned with receiving, storing and distributing the inputs to the product/service. These include materials, handling, stock control, transport, etc.
- **Development and Operations.** The transformation of these various inputs into the final product or service: machining, packaging, assembly, testing, etc. Designing and development of product (it should be even in front of inbound logistics)
- **Outbound logistics.** The collection, storage and distribution of the product to customers.
- **Marketing and sales.** These provide the means whereby consumers/users are made aware of the product/service and are able to purchase it. This would include sales administration, advertising, selling, etc.
- **Services.** All the activities that enhance or maintain the value of a product/service.

Support activities (Specialized departments)

- **Procurement.** This refers to the process of acquiring the various resource inputs to the primary activities (not to the resources themselves).
- **Technology development.** All value activities have a 'technology', even if it is simply 'know-how'.
- **Human resource management.** It is concerned with the activities involved in recruiting, training, developing and rewarding people within the organization.
- **Firm Infrastructure.** Infrastructure consists of the structures and routines of the organization that sustain its culture as well as systems of planning, finance, and quality control.

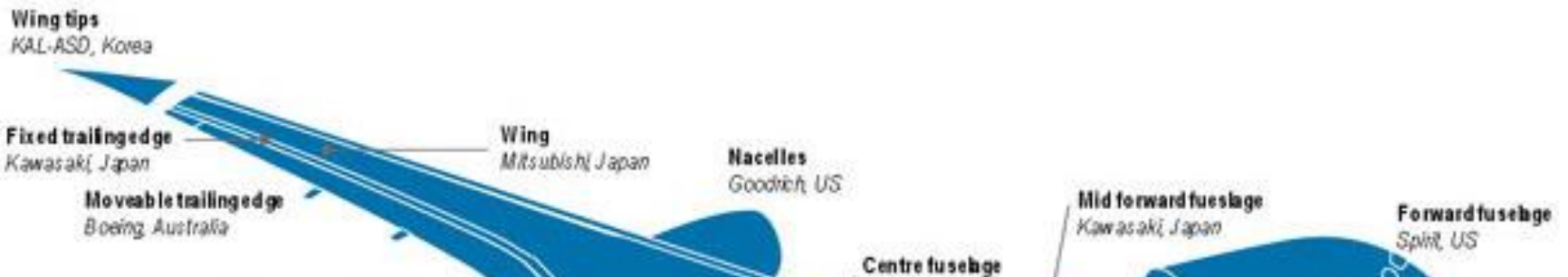
Value chain





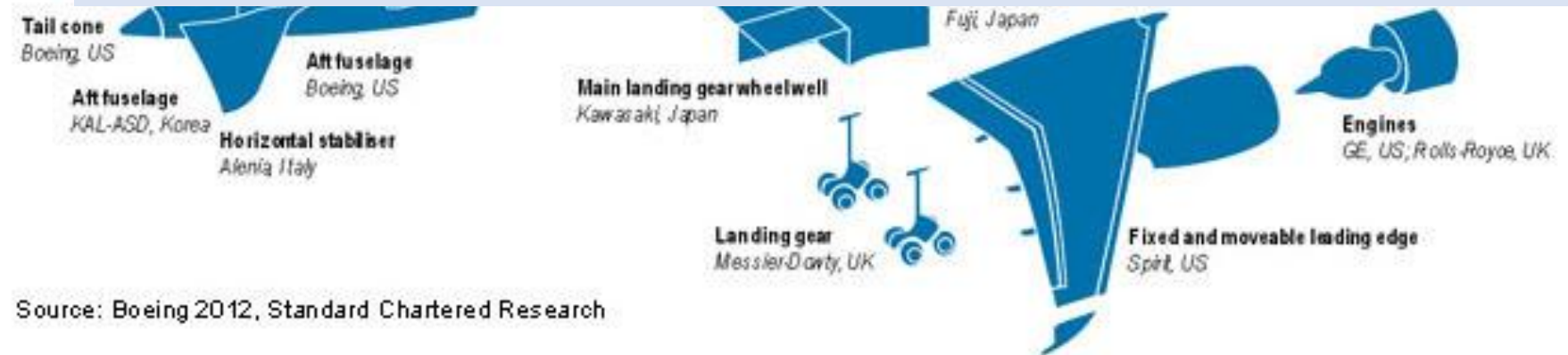
Source: Boeing 2012, Standard Chartered Research

TIP for watching : M. Ferrantino: [Global Value Chain](#)



Cross border / cross region value chains

Location of research, development, design, assembly, production of parts, marketing and branding" activities in different countries around the globe



Source: Boeing 2012, Standard Chartered Research

TIP for watching: M. Ferrantino: [Global Value Chain](#)

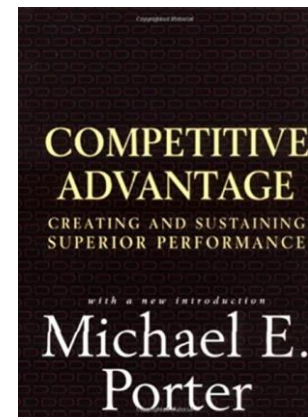
Value chain

Value activities are the physically and technologically distinct activities that a firm performs.

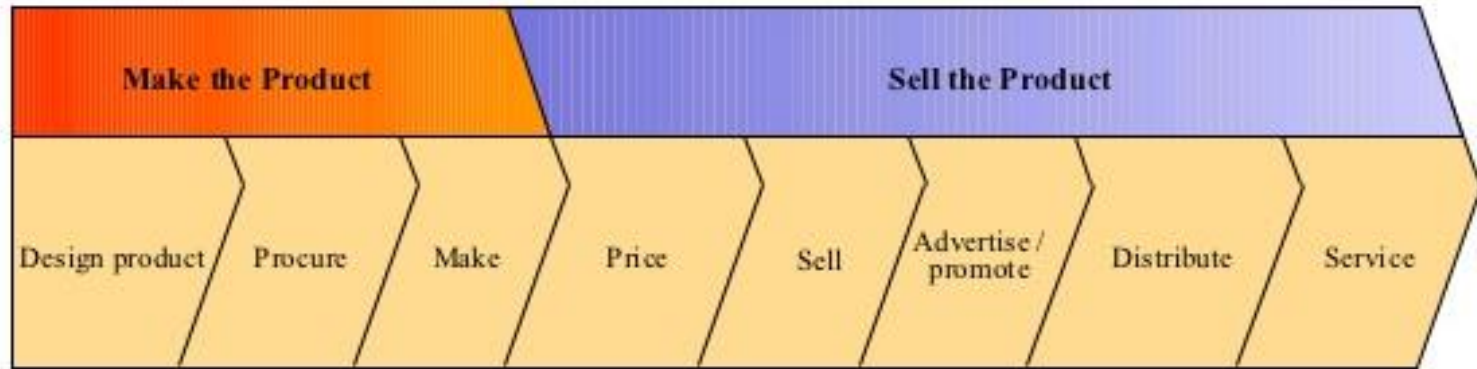
Margin is the difference between total value (price) and the collective cost of performing the value activities.

Competitive advantage is a function of either providing comparable buyer value more efficiently than competitors (**lower cost**), or performing activities at comparable cost but in unique ways that create more customer value than the competitors are able to offer and, hence, command a premium price (**differentiation**).

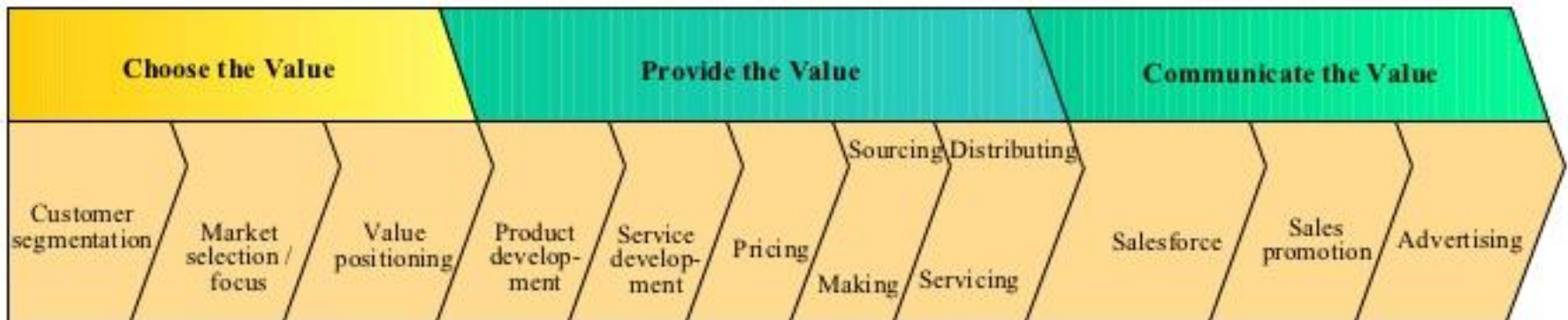
The firm might be able to identify elements of the value chain that are not worth the costs. These can then be unbundled and produced outside the firm (outsourced) at a lower price.



The Views of Creating Value



(a) Traditional Physical Process Sequence



(b) The Value Creation and Delivery Sequence

Core Business Processes/ Essential Activities

- *market-sensing* - All the activities in gathering and acting upon information about the market
- *new-offering realization* - All the activities in researching, developing, and launching new high-quality offerings quickly and within budget
- *customer acquisition* - All the activities in defining target markets and prospecting for new customers
- *customer relationship management* - All the activities in building deeper understanding, relationships, and offerings to individual customers
- *fulfillment management* - All the activities in receiving and approving orders, shipping the goods on time, and collecting payment, etc.
- Important: cross-functional tasks.

Core Competences

main strengths or strategic advantages of a business, the foundation for sharpening a company's competitive edge, and it guides brand reputation, business growth, and marketing strategy.

- (1) a **source of competitive advantage** and a significant contribution to perceived customer benefits
- (2) **applications** in a wide variety of markets
- (3) **difficult to imitate**

Companies must also possess distinctive abilities or broader business process such as customer linking, market-sensing, and channel bonding.

Competitive advantage ultimately derives from how well the company has fitted its core competencies and distinctive capabilities into tightly interlocking “activity systems.”

Corporate and Division Strategic Planning

HQs undertake planning activities:

1. Defining the corporate vision and mission
2. Establishing strategic business units (SBUs)
3. Assigning resources to each SBU
4. Assessing growth opportunities

1. Define the corporate mission

VISION – where the company wants to go, what does it want to become or to be? A direction for the next 10 to 20 years

MISSION

*What is our business?
Who is the customer?
What is of value to the customer?
What will our business be?
What should our business be?*

A clear, thoughtful mission statement provides a shared sense of purpose, direction, and opportunity.

our vision
**TO CREATE A
BETTER
EVERYDAY LIFE
FOR THE MANY
PEOPLE**



To refresh the world in mind, body and spirit. To inspire moments of optimism and happiness through our brands and actions.

Coca-Cola

MISSION STATEMENT

**MUNI
ECON**

1. Define the corporate mission

- ✓ Focus on a limited number of goals
- ✓ Stress major policies and values
- ✓ Define major competitive sphere where the company will operate
- ✓ Take a long-term view
- ✓ Short, memorable, and meaningful



2. Establishing SBUs: Defining a business

A business can define itself in dimensions:

- customer groups
- customer needs, and
- technology

*A business as a customer satisfying process
– marketing view*

*A focus on the current and potential market
– strategic view*

2. Establishing SBUs: characteristics

Strategic business unit (SBU):

- i. It is a **single business**, or a collection of related businesses, that can be planned separately from the rest of the company.
- ii. It has its **own set of competitors**.
- iii. It has its **own manager** responsible for strategic planning and profit performance, who controls most of the factors affecting profit.
- iv. It has its **own resources** allocated by the top management



3. Assigning Resources to each SBU

How to allocate resources to each SBU?

Is the market value of a company greater with or without the SBU?

BEVERAGES
**Coca-Cola to Cut Business
Units From 17 to 9**
Restructuring to include buyouts and layoffs
By **Hannah Prokop** on Aug. 28, 2020

4. Assessing Growth Opportunities

Assessing growth opportunities includes:

- **Planning new businesses** (If there is a gap between future desired sales and projected sales, corporate management will need to develop or acquire new businesses)
- **Downsizing** (Whereby a company reduces its size and operations to increase its efficiency and profitability. Reduce employees and company activities.)
- **Terminating older businesses** (Sell off old unprofitable businesses to reduce costs)

"Neutron Jack"



Jack Welch, General Electric CEO (1981-2001)

During his first seven years at GE, he fired or laid off more than 100,000 employees

Welch purged 10 percent of GE's "underperforming" employees -- every year -- as part of a "strategy for maintaining excellence."

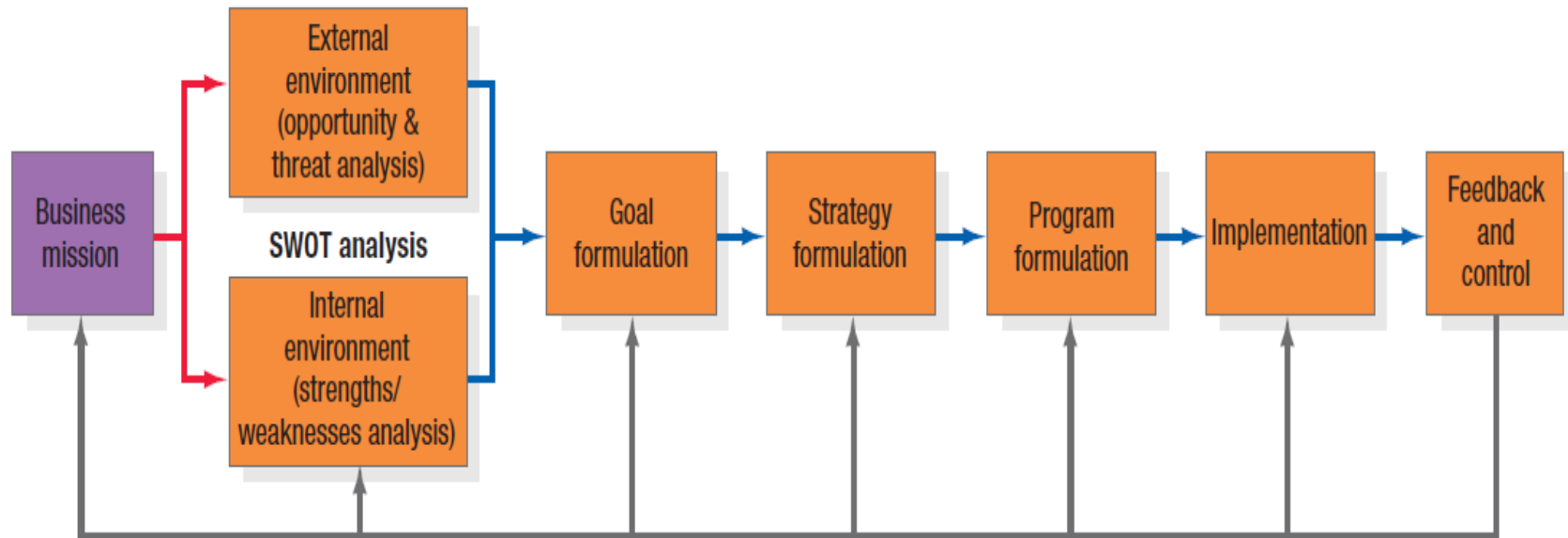
[What happened to GE: case study](#)



4. Assessing Growth Opportunities: Strategic Planning Gap

1. to identify opportunities for growth within current businesses (**intensive opportunities**) - identifying new customer groups within existing sales areas, developing additional distribution channels, or selling in new markets. Ansoff's Product-Market Expansion Grid
2. to identify opportunities to build or acquire businesses related to current businesses (**integrative opportunities**). Backward (suppliers), forward (distribution channels), or horizontal integration (competitors) with an industry
3. to identify opportunities to add attractive unrelated businesses (**diversification opportunities**).

Business (Unit) Strategic Planning Process



Business (Unit) Strategic Planning Process:

1. The Business Mission

2. External environment, internal environment (SWOT)

- Each Business unit needs to define its specific mission within the broader company mission.
- Marketing opportunity is an area of buyer needs and interest that a company has a high probability of profitably satisfying.

1. Offer something that is in short supply

2. Supply an existing product or service in a new or superior way:

a. problem detection method - *Ask consumers for suggestions.*

b. ideal method - *Ask consumers to imagine an ideal version of the product.*

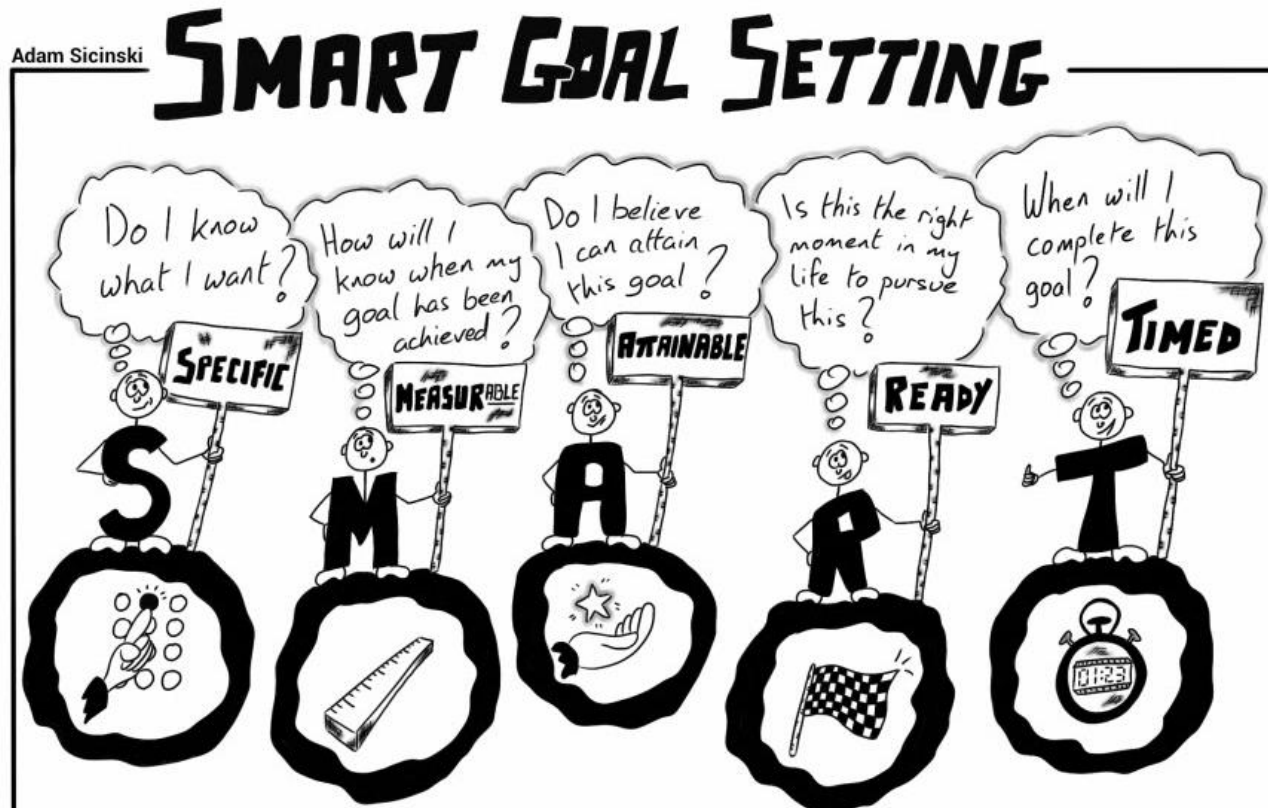
c. consumption chain method - *Ask consumers to chart the steps in acquiring, using, and disposing of a product.*

Environmental threat is a challenge posed by an unfavorable trend or development that in the absence of defensive marketing action would lead to lower sales or profit.

Analysis 5C



3. Business (Unit) Strategic Planning Process: Goal formation



4. Business (Unit) Strategic Planning Process: Strategic Formulation

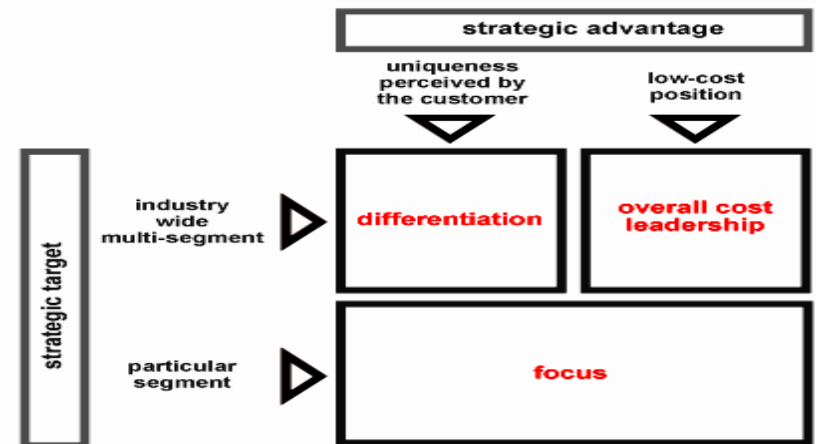
- a plan for getting there where the company wants to come
- Every business must design a strategy for achieving its goals, consisting of a *marketing strategy* and a compatible *technology strategy* and *sourcing strategy*.

Porter's Generic Strategies:

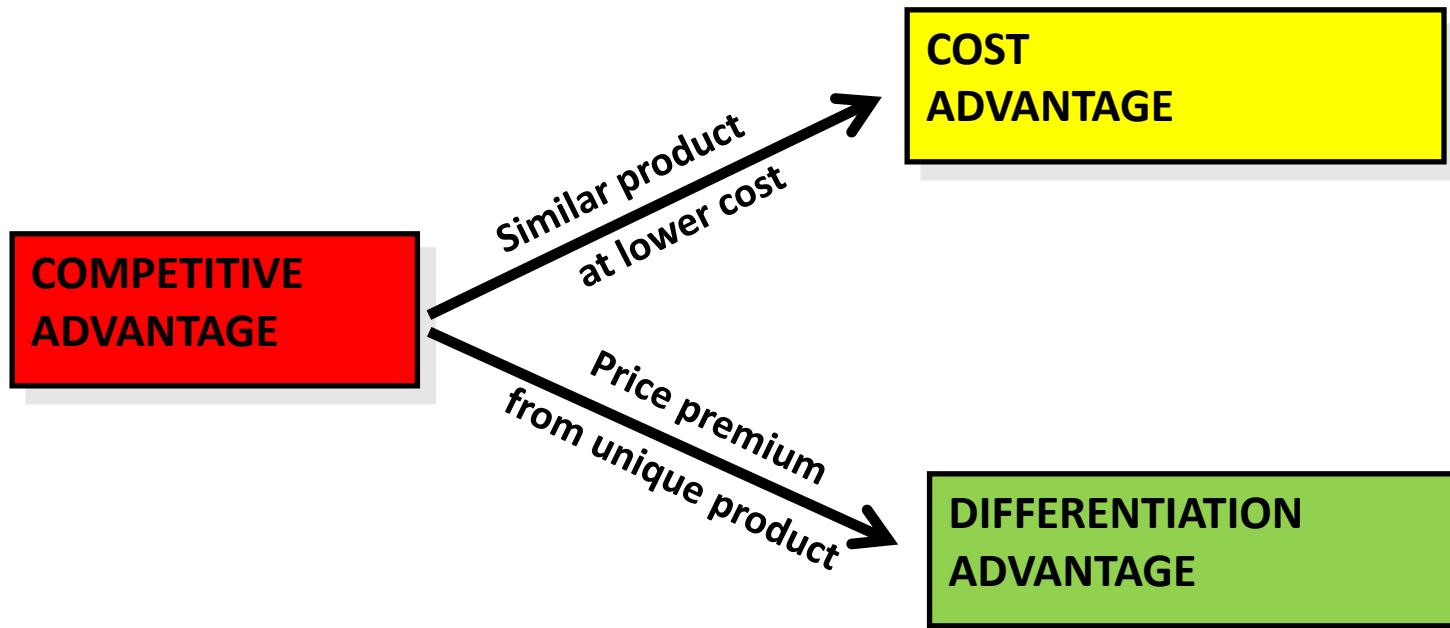
Overall cost leadership - the lowest production and distribution costs so they can underprice competitors and win market share. They need less skill in marketing.

Differentiation - achieving superior performance in an important customer benefit area valued by a large part of the market.

Focus - on one or more narrow market segments, gets to know them intimately, and pursues either cost leadership or differentiation within the target segment.



Sources of competitive advantage



In 2012, a new energy drink appeared: **G-Fuel** with a new concept: **selling the powders and you mix them with water**

While **Red Bull** was selling **250 ml** cans for **\$2.5**, **Monster** was offering **500 ml** cans for **\$2**.

The nature of differentiation

DEFINITION: “*Providing something unique that is valuable to the buyer beyond simply offering a low price.*” (M. Porter)



THE KEY IS TO CREATE VALUE FOR THE CUSTOMER

TANGIBLE DIFFERENTIATION

Observable product characteristics:

- size, color, materials, etc.
- performance
- packaging
- complementary services



INTANGIBLE DIFFERENTIATION

Unobservable and subjective characteristics that appeal to customer’s image, status, identity, and desire for exclusivity

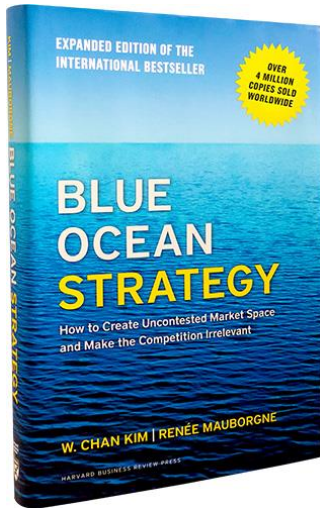


TOTAL CUSTOMER RESPONSIVENESS

Differentiation not just about the *product*, it embraces the whole *relationship* between the supplier and the customer.

Red and Blue Oceans

(W. Chan Kim and Renné Mauborgne)



Blue Ocean Strategy:

- create a market independent of competition;
- get rid of competition;
- to shape and exploit new demand;
- abandon trade-offs between quality and price;
- adapt the whole system of activities by offering low-cost products that have a unique quality.

Red Ocean Strategy:

- compete in the existing market;
- beat the competition;
- take advantage of existing demand;
- find a compromise between quality and price;
- adapt the system of activities of the company in accordance with its strategic choice: unique quality or low price.

CIRQUE DU SOLEIL®



5. Program Formulation and Implementation

Estimate cost

Sufficient results to justify cost

6. Feedback and Control

It is critical for organizations to examine the changing environment and adopt new goals and behaviors.

Marketing plan

Marketing plan

- A written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to reach its marketing strategies.
 - The central instrument for directing and coordinating the marketing effort.
 - It operates at strategic and tactical level.
-
- The **strategic marketing plan** lays out the target markets and the firm's value proposition, based on an analysis of the best market opportunities.
 - The **tactical marketing plan** specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service.

Marketing Plan Structure

- **Executive summary and table of contents**
- **Situation analysis:** relevant background data on sales, costs, the market, competitors, and the various forces in the macroenvironment.
- **Marketing strategy:** mission, marketing and financial objectives, and needs the market offering is intended to satisfy as well as its competitive positioning. All this requires inputs from other areas, such as purchasing, manufacturing, sales, finance, and HR.
- **Financial projections:** a sales forecast, an expense forecast, and a break-even analysis. On the revenue side is forecasted sales volume by month and product category, and on the expense side the expected costs of marketing, broken down into finer categories. **The break-even analysis** estimates how many units the firm must sell monthly (or how many years it will take) to offset its monthly fixed costs and average per-unit variable costs.
- A more complex method of estimating profit is **risk analysis** with three estimates (optimistic, pessimistic, and most likely) for each uncertain variable affecting profitability, under an assumed marketing environment and marketing strategy for the planning period.
- **Implementation controls.** The controls for monitoring and adjusting implementation of the plan. Typically, it spells out the goals and budget for each month or quarter, so management can review each period's results and take corrective action as needed.
- Some organizations include **contingency plans**.

WHAT? WHEN? HOW? WHO? WHERE? WITH?
HOW? FOR WHAT (MONEY)? + control criteria

SOSTAC marketing planning model

Situation – where are we now?

Objectives – where do we want to be?

Strategy – how do we get there?

Tactics – how exactly do we get there?

Action – what is our plan?

Control – did we get there?

Where are we now?

- Goal performance (5 Ss)
- Customer insight
- E marketplace SWOT
- Brand perception
- Internal capabilities and resources

How do we monitor performance?

- 5 Ss + web analytics – KPIs
- Usability testing/mystery shopper
- Customer satisfaction surveys
- Site visitor profiling
- Frequency of reporting
- Process of reporting and actions

Where do we want to be?

5 Ss objectives:

- Sell – customer acquisition and retention targets
- Serve – customer satisfaction targets
- Sizzle – site stickiness, visit duration
- Speak – triologue; number of engaged customers
- Save – quantified efficiency gains



The details of tactics, who does what and when

- Responsibilities and structures
- Internal resources and skills
- External agencies

How do we get there?

- Segmentation, targeting and positioning
- OVP (online value proposition)
- Sequence (credibility before visibility)
- Integration (consistent OVP) and database
- Tools (web functionality, e-mail, IPTV etc.)

How exactly do we get there? (the details of strategy)

- E-marketing mix, including: the communications mix, social networking, what happens when?
- Details of contact strategy
- E-campaign initiative schedule