

MUNI
ECON

Marketing Strategies and Plans

Chapter 2



Roadmap

- Marketing and customer value
- The Value Chain
- Value creation and delivery and core business processes
- Core competences
- A Holistic Marketing Orientation and Customer Value
- Marketing planning

What is the value?

- Retail store
- Auto Shop
- Faculty
- Hotel

The Elements of Value Pyramid

Products and services deliver fundamental elements of value that address four kinds of needs: functional, emotional, life changing, and social impact. In general, the more elements provided, the greater customers' loyalty and the higher the company's sustained revenue growth.

SOCIAL IMPACT



Self-transcendence

LIFE CHANGING



Provides hope



Self-actualization



Motivation



Heirloom



Affiliation/
belonging

EMOTIONAL



Reduces anxiety



Rewards me



Nostalgia



Design/
aesthetics



Badge value



Wellness



Therapeutic value



Fun/
entertainment



Attractiveness



Provides access

FUNCTIONAL



Saves time



Simplifies



Makes money



Reduces risk



Organizes



Integrates



Connects



Reduces effort



Avoids hassles



Reduces cost



Quality



Variety



Sensory appeal

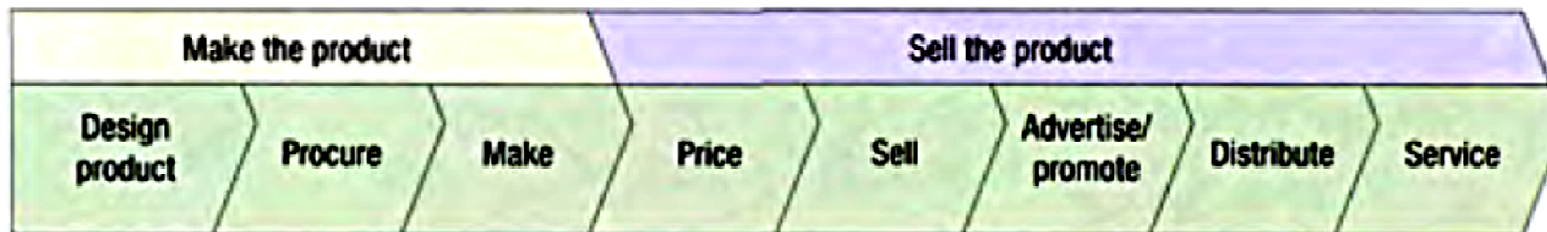


Informs

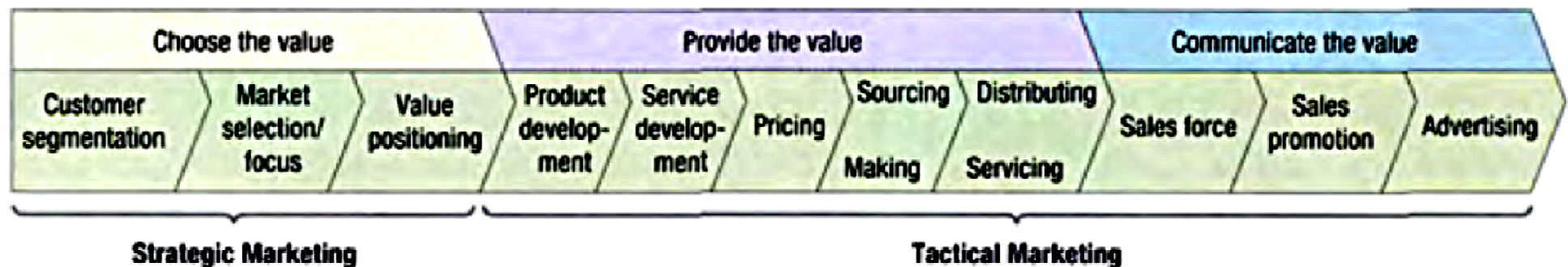
SOURCE © 2015 BAIN & COMPANY INC.
FROM "THE ELEMENTS OF VALUE," SEPTEMBER 2016

© HBR.ORG

(a) Traditional Physical Process Sequence



(b) Value Creation and Delivery Sequence

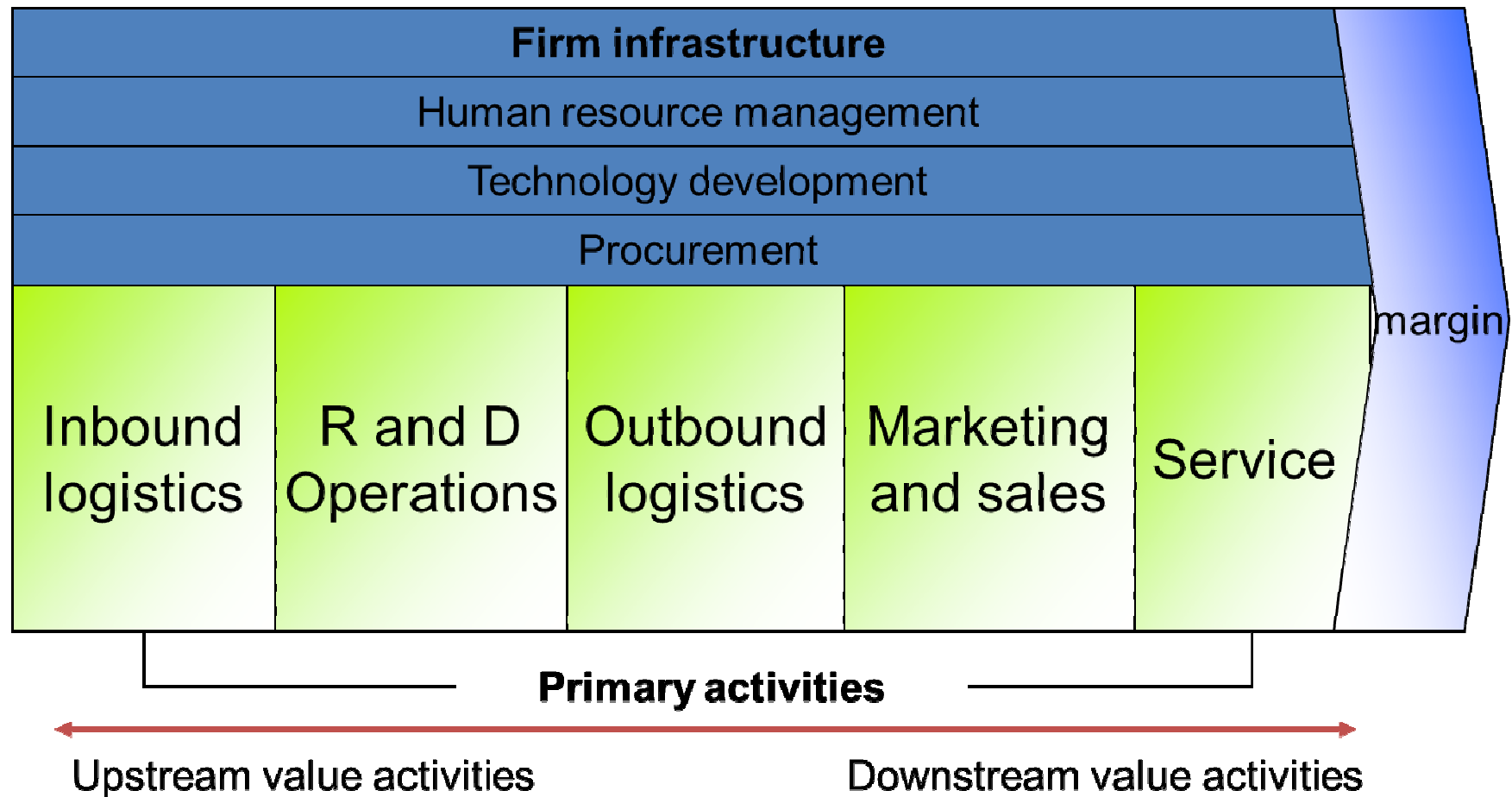


Marketing and customer value

- **Choosing** the value
 - STP
- **Providing** the value
 - Marketing mix
- **Communicating** the value
 - Sales force
 - Internet
 - Advertising

The Value Chain

- Michael Porter
- **Primary activities**
 - Inbound logistics
 - Development and operations
 - Outbound logistics
 - Marketing and sales
- **Support activities**
 - Procurement
 - R&D
 - HR
 - Infrastructure



Source: Reprinted with permission of The Free Press, a division of Simon & Schuster Adult Publishing Group, from *Competitive Advantage: Creating and Sustaining Superior Performance* by Michael E. Porter. Copyright © 1985, 1998 Michael E. Porter.

The Value Chain

- **Value activities** are the physically and technologically distinct activities that a firm performs. These are the building blocks by which a firm creates a product valuable to its buyers. 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).

Value creation and delivery and core business processes

- A firm also needs to look for competitive advantages beyond its own operations, into the value chains of suppliers, distributors, and customers to create value delivery network (narrower = supply chain)
- A core competency has three characteristics:
 - It is a **source of competitive advantage** and makes a significant contribution to perceived customer benefits
 - It has **applications** in a wide variety of markets
 - It is **difficult to imitate**
- Competitive advantage ultimately derives from how well the company has fitted its core competencies and distinctive capabilities into tightly interlocking “activity systems

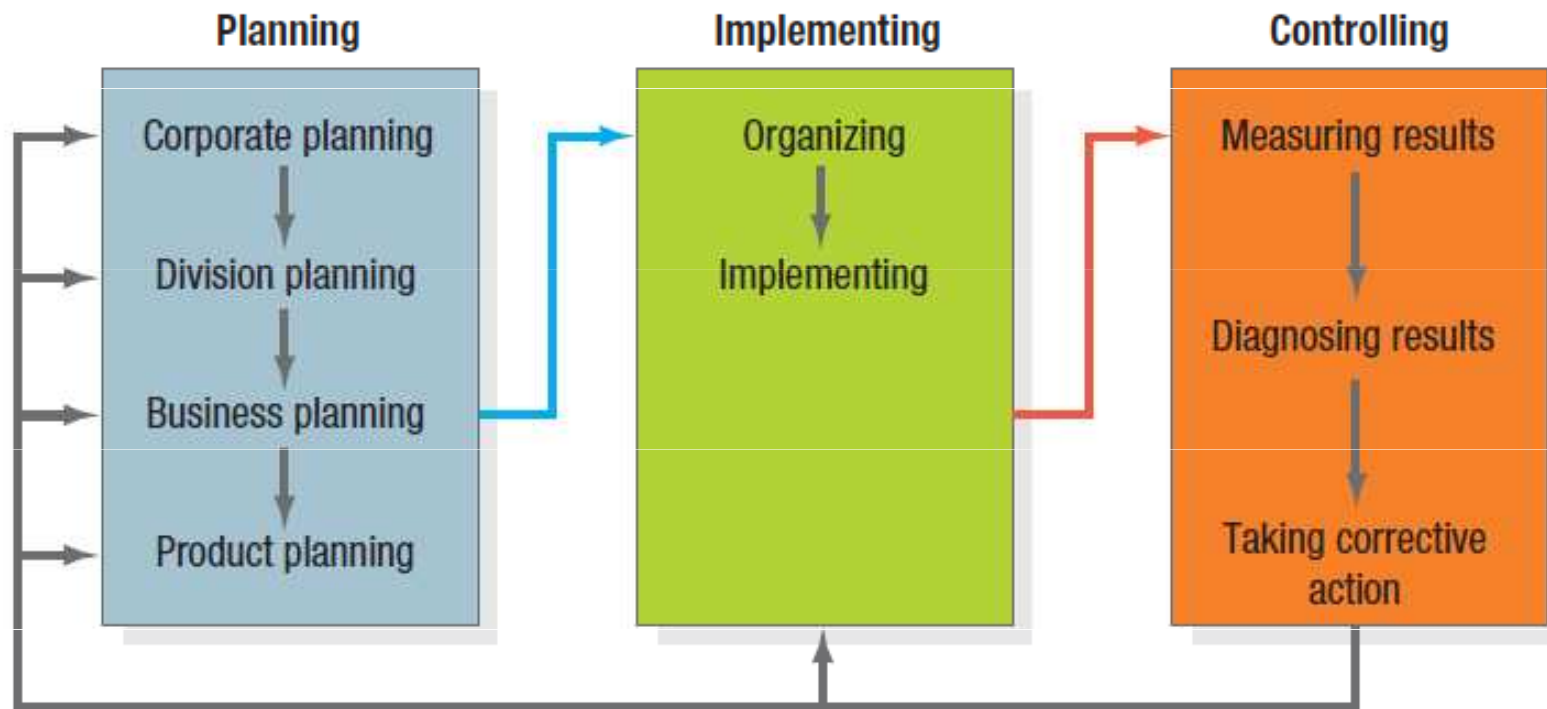
A Holistic Marketing Orientation and Customer Value

- Three key management questions:
 - **Value exploration**—How a company identifies new value opportunities
 - **Value creation**—How a company efficiently creates more promising new value offerings
 - **Value delivery**—How a company uses its capabilities and infrastructure to deliver the new value offerings more efficiently
- Successful marketing thus requires capabilities such as understanding, creating, delivering, capturing, and sustaining customer value – important for strategic planning.

What is Marketing Plan?

Marketing planning

- The **marketing plan** is the central instrument for directing and coordinating the marketing effort. It operates at two levels: strategic and tactical.
- 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.



Corporate and Division Strategic Planning

- Headquarters undertake:
 - Defining the corporate vision and mission
 - Establishing strategic business units
 - Assigning resources to each strategic business unit
 - Assessing growth opportunities
- **Vision** – where the company wants to go, what does it want to become or to be? “impossible dream” that provides direction for the next 10 to 20 years
- **Mission** - to define its mission, a company should address Peter Drucker’s classic questions:
 - *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?*

Mission Statement - Characteristics

- They focus on a **limited number of goals**.
- They stress the company's **major policies and values**. They narrow the range of individual discretion, so employees act consistently on important issues.
- They **define the major competitive spheres** within which the company will operate.
- They take a **long-term view**. Management should change the mission only when it ceases to be relevant.
- They are as **short, memorable, and meaningful**.

To build total brand value by innovating to deliver customer value and customer leadership faster, better, and more completely than our competition.

We build brands and make the world a little happier by bringing our best to you.

Google Mission

To organize the world's information and make it universally accessible and useful.

Google Philosophy

Never settle for the best.

1. Focus on the user and all else will follow.
2. It's best to do one thing really, really well.
3. Fast is better than slow.
4. Democracy on the Web works.
5. You don't need to be at your desk to need an answer.
6. You can make money without doing evil.
7. There is always more information out there.
8. The need for information crosses all borders.
9. You can be serious without a suit.
10. Great just isn't good enough.¹⁵

Defining a Business

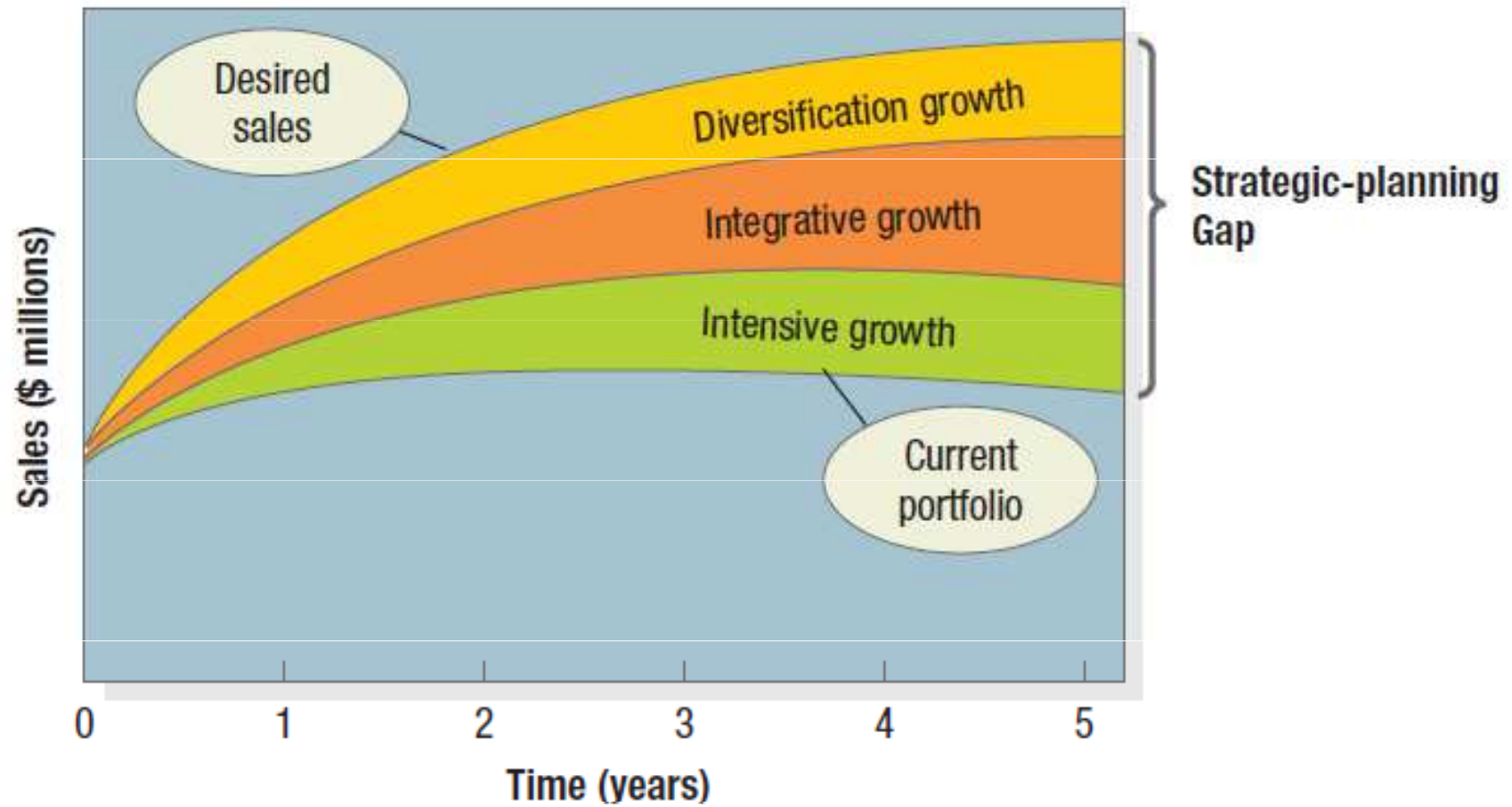
- **Market definitions** of a business describe the business as a customer satisfying process. Products are transient; basic needs and customer groups endure forever.
- Viewing businesses in terms of customer needs can suggest additional growth opportunities.
- A **strategic market definition** focuses on the current and potential market
- A business can define itself in terms of three dimensions:
 - customer groups
 - customer needs, and
 - technology

Establishing Strategic Business Units

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

Assessing Growth Opportunities

- Assessing growth opportunities includes **planning new businesses, downsizing, and terminating businesses.**
- If there is a gap between future desired sales and projected sales, management will need to develop or acquire new businesses:
 - The first option is to identify opportunities for growth within current businesses (**intensive opportunities**).
 - The second is to identify opportunities to build or acquire businesses related to current businesses (**integrative opportunities**).
 - The third is to identify opportunities to add attractive unrelated businesses (**diversification opportunities**).



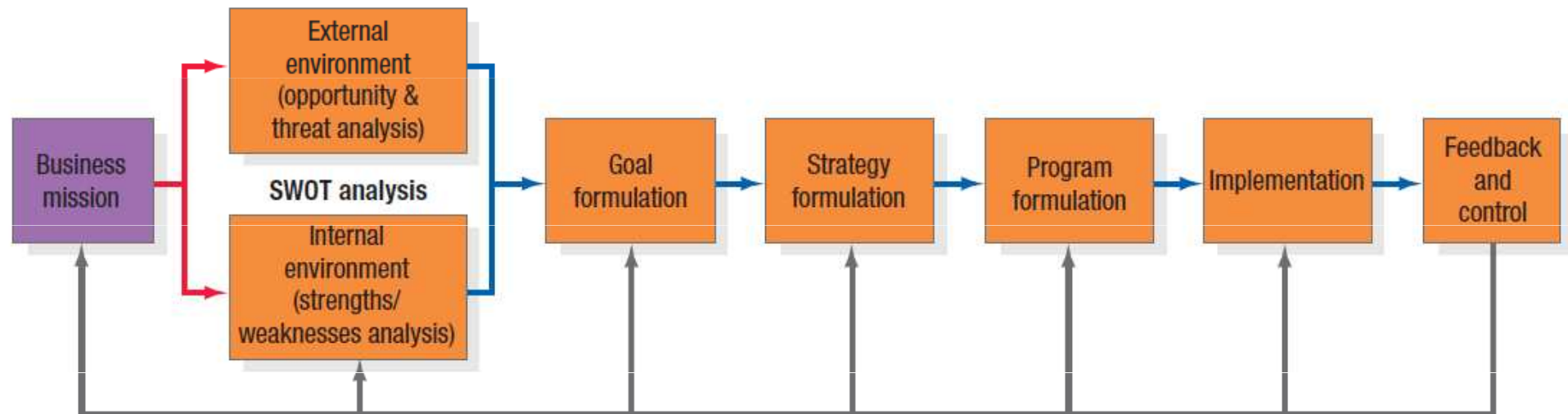
Assessing Growth Opportunities

- The useful framework for detecting new intensive growth opportunities is a “product-market expansion grid.” It considers the strategic growth opportunities for a firm in terms of current and new products and markets.
 - The company first considers whether it could gain more market share with its current products in their current markets, using a **market-penetration strategy**.
 - Next it considers whether it can find or develop new markets (geographical and/or customers) for its current products, in a **market-development strategy**.
 - Then it considers whether it can develop new products of potential interest to its current markets with a **product-development strategy**.
 - Later the firm will also review opportunities to develop new products for new markets in a **diversification strategy**.

**You're doing great.
Take a break.**



Business (Unit) Strategic Planning Process

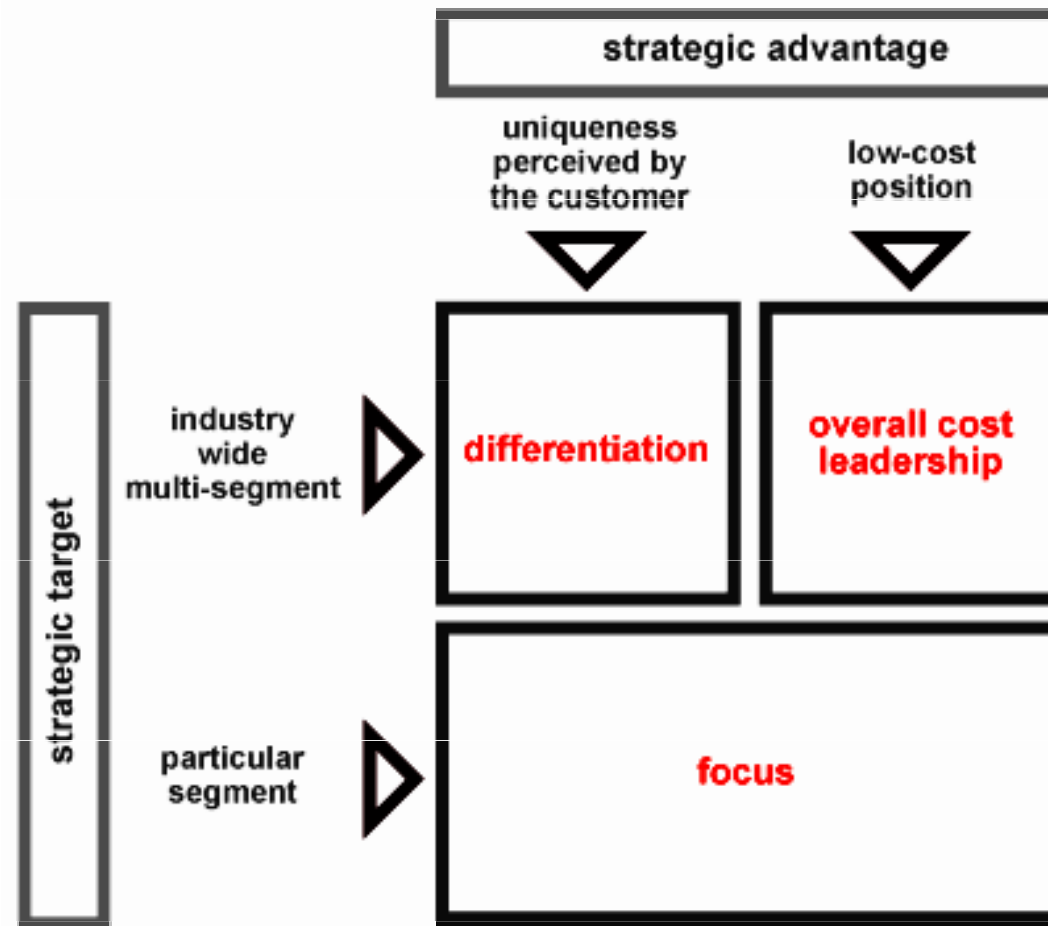


Business (Unit) Strategic Planning Process

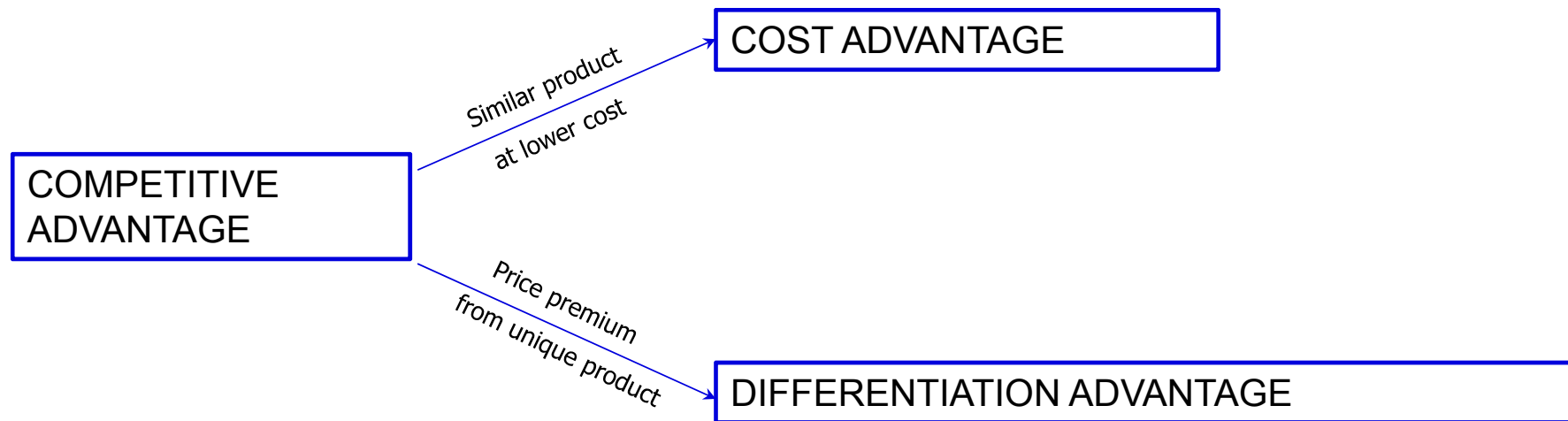
- External environment
 - SWOT analysis
 - PESTEL
- Internal environment
 - VRIO
 - Competitive profile matrix

Business (Unit) Strategic Planning Process

- Goal formulation
 - Smart
- Strategy formulation
 - *Overall cost leadership.* Firms work to achieve the lowest production and distribution costs so they can underprice competitors and win market share. The problem is that other firms will usually compete with still-lower costs
 - *Differentiation.* The business concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market.
 - *Focus.* The business focuses on one or more narrow market segments.



Sources of Competitive Advantage



Drivers of Cost Advantage

- **Economy of scale** – specialization; indivisibilities
- **Economy of learning** – improved organization, increased dexterity
- **Production technique** – process innovation, reengineering BP
- **Product design** – standardization, design
- **Input costs** – location, low-cost inputs, non-union labor
- **Capacity utilization** – ratio of fixed and variable costs, capacity adjustments

The Nature of Differentiation

- Providing something unique that is valuable to the buyer beyond simply offering a low price (M. Porter)
- The key is to **create value** for customer
- **Tangible**
 - Size, color, materials
 - Performance
 - Packaging
 - Complementary services
- **Intangible**
 - Subjective characteristics
 - Image, status, desire etc.

Marketing Plan

- A **marketing plan** usually contains the following sections:
 - **Executive summary and table of contents.**
 - **Situation analysis.** This section presents relevant background data on sales, costs, the market, competitors, and the various forces in the macroenvironment. How do we define the market, how big is it, and how fast is it growing? What are the relevant trends and critical issues? SWOT
 - **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 human resources.
 - **Financial projections.** Financial projections include 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.
 - **Implementation controls.** The last section outlines 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.

Marketing Plan

- **Yearly marketing plans.** Marketers start planning well in advance of the implementation date to allow time for marketing research, analysis, management review, and coordination between departments.
- The marketing plan should define **how progress toward objectives will be measured.**
- With **budgets**, they can compare planned expenditures with actual expenditures for a given period.
- **Schedules** allow management to see when tasks were supposed to be completed and when they were.
- **Marketing metrics** track actual outcomes of marketing programs to see whether the company is moving forward toward its objectives.

Questions?



Home-readings for Next Week

- Guest lecture (MPH_DMSM):
 - [On Digital Marketing Strategies through real-world case study](#)
 - Nikola Kožuljević, FOLEON - Amsterdam
- Reading for next lecture:
 - Competitive strategies; *Chapter 11*
 - More details available in **Interactive Syllabus**.



Thank you for your attention