applied innovation centre

The Process of Formulating

and

Implementing Marketing Strategy

by

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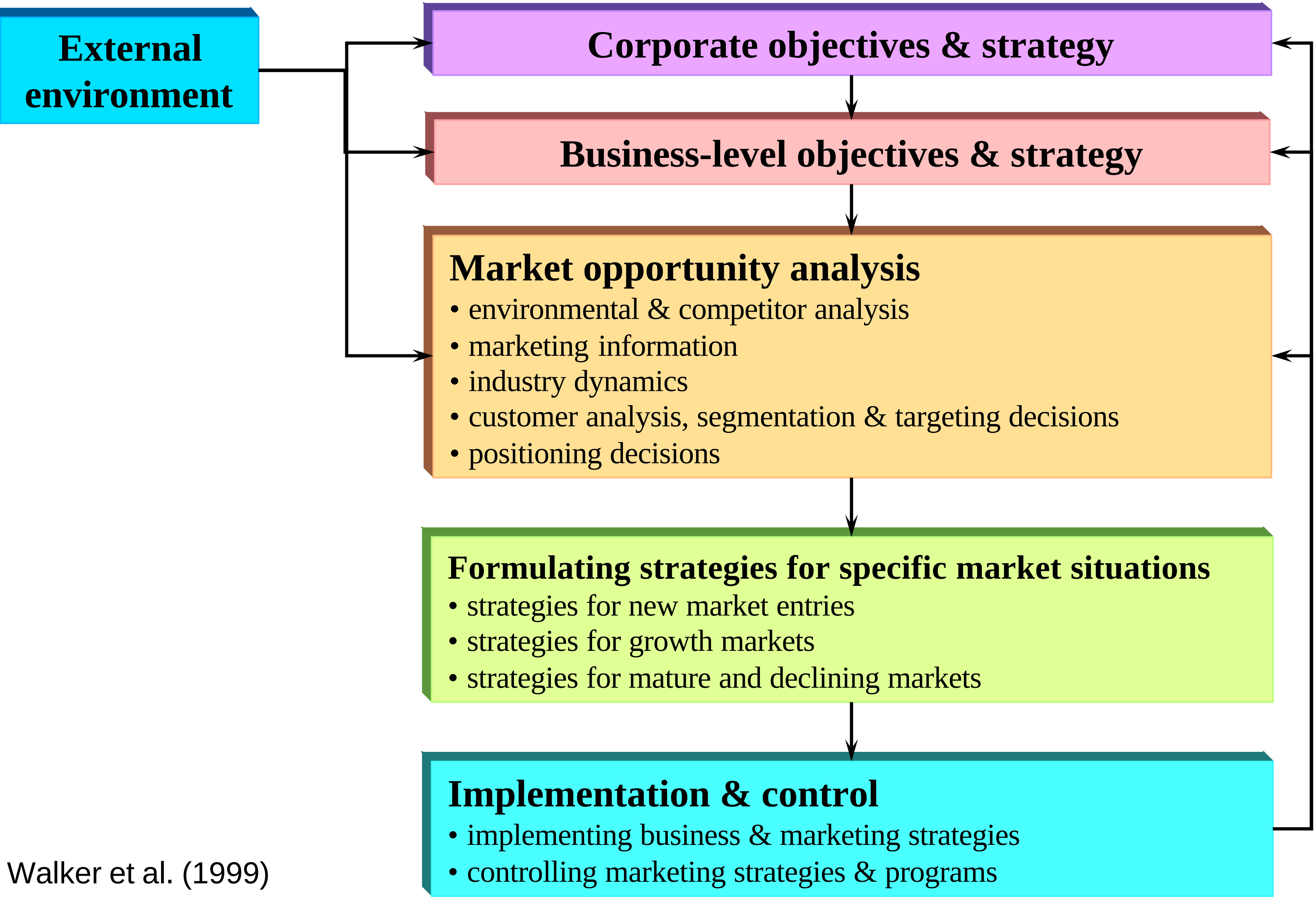
Results through INNOVATION

The Process of Formulating and Implementing Marketing Strategy



External environment

Corporate objectives & strategy

Business-level objectives & strategy

Market opportunity analysis
- environmental & competitor analysis
- marketing information
- industry dynamics
- customer analysis, segmentation & targeting decisions
- positioning decisions

Formulating strategies for specific market situations
- strategies for new market entries
- strategies for growth markets
- strategies for mature and declining markets

Implementation & control
- implementing business & marketing strategies
- controlling marketing strategies & programs

Walker et al. (1999)

The Process of Formulating
and
Implementing Marketing Strategy (cont.)

1. **Interrelationships between different levels of strategy.**

2. **Market Opportunity Analysis.**

3. **Formulating strategies for specific market situations.**

4. **Implementation and Control.**

1. Interrelationships between different levels of strategy:

Marketing strategy should be aligned with corporate and business level strategies .

The marketing program for an individual product must be consistent with the strategic direction, competitive thrust and resources allocations decided on at a higher management level.

Corporate Mission Statement

(qualitative, philosophical)

Corporate (business) objectives

(quantifies and operationalises
the mission statement)

Functional objectives

eg marketing, financial, production,
engineering (quantitative, measurable)

McDonald (1990

2. Market Opportunity Analysis:

A major factor in the success or failure of a strategy at any level is whether it fits the realities of the firm's external environment.

Thus, the first step is to monitor and analyze the opportunities and threats posed by factors outside the organization.

2.1 Environmental, industry and competitor analysis:

We must first attempt to identify and predict the impact of broad trends in the economic and social environment.

2.2 Customer analysis: segmentation, targeting and positioning.

The primary purpose of any marketing strategy is to facilitate and encourage exchange transactions with potential customers.

Hence, we need to analyse the motivations and behaviours of present and potential customers.

Not every potential customer will have the same needs, seek the same product benefits, or be influenced in the same way by the same marketing program.

Hence, we must determine whether there are multiple market segments that will respond differently to our products/services and marketing programs, and how to best define, identify and appeal to those segments.

Not every segment market will be equally attractive for the firm.

Hence, the next step is to target and position the product/service in the target segment relative to competitive offering.

3. Formulating strategies for specific market situations:

The strategic marketing program for a particular product/market entry should reflect market demand and the competitive situation within the target market.

As demand and competitive conditions change over time, the marketing strategy should be adjusted accordingly.

4. Implementation and Control:

A final critical determinant of a strategy’s success is the firms’ ability to implement it effectively.

This, in turn, depends on whether the strategy is consistent with the firm’s resources, organisational structure, coordination and control systems, and skills and experience of its people.

Corporate Strategy Decisions

Setting Marketing Objectives
and
Strategies

Corporate Strategy Decisions

- **Corporate Development Strategy**
- **Allocating Corporate Resources**

Corporate Development Strategy

Essentially, a firm can go into major directions in seeking future growth:

- **Expansion of its current business and activities**

or

- **Diversification into new business through either internal business or acquisition.**

Expansion:

- Market penetration
- Product development
- Market development

Diversification:

- **Vertical integration**
- **Related diversification**
- **Unrelated diversification**
- **Diversification through organisational relationship or networks**

Ansoff Matrix:

(How to set marketing objectives)

A firm's competitive situation can be simplified to two dimensions only – products and markets.

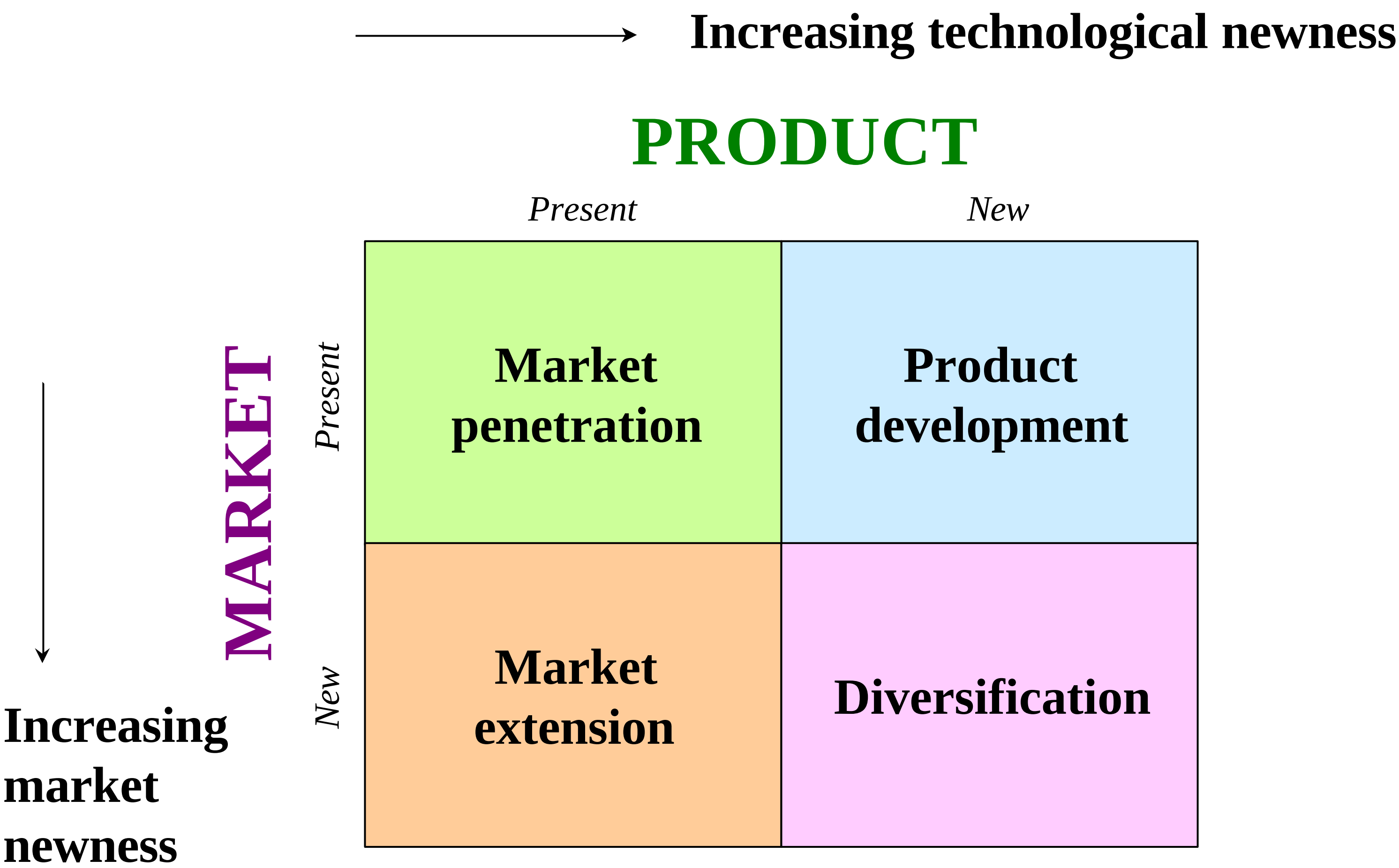
Simply put, Ansoff's framework is about what is sold (the 'product') and who is sold to (the 'market').

Ansoff Matrix (Cont.)

(Four possible courses of action)

1. **Selling existing products to existing markets.**
2. **Extending existing products to new markets.**
3. **Developing new products for existing markets.**
4. **Developing new products for new markets.**

Ansoff Matrix



Increasing technological newness

		PRODUCT	
		Present	*New*
MARKET	*Present*	**Market penetration**	**Product development**
	New	**Market extension**	**Diversification**

Increasing market newness

Alternative Corporate Growth Strategies

	Current products	New products
Current markets	**Market penetration Strategies** • increase market share • increase product usage - increase frequency of use - increase quantity used - new applications	**Product development Strategies** • product improvements • product-line extensions • new products for same market
New markets	**Market development Strategies** • expand markets for existing products - geographic expansion - target new segments	**Diversification strategies** • vertical integration forward integration backward integration • diversification into related businesses (concentric diversification) • diversification into unrelated businesses (conglomerate diversification)

Walker et al. (1999)

Allocating Corporate Resources

- **Portfolio models**
- **Value-based planning**

Portfolio models:

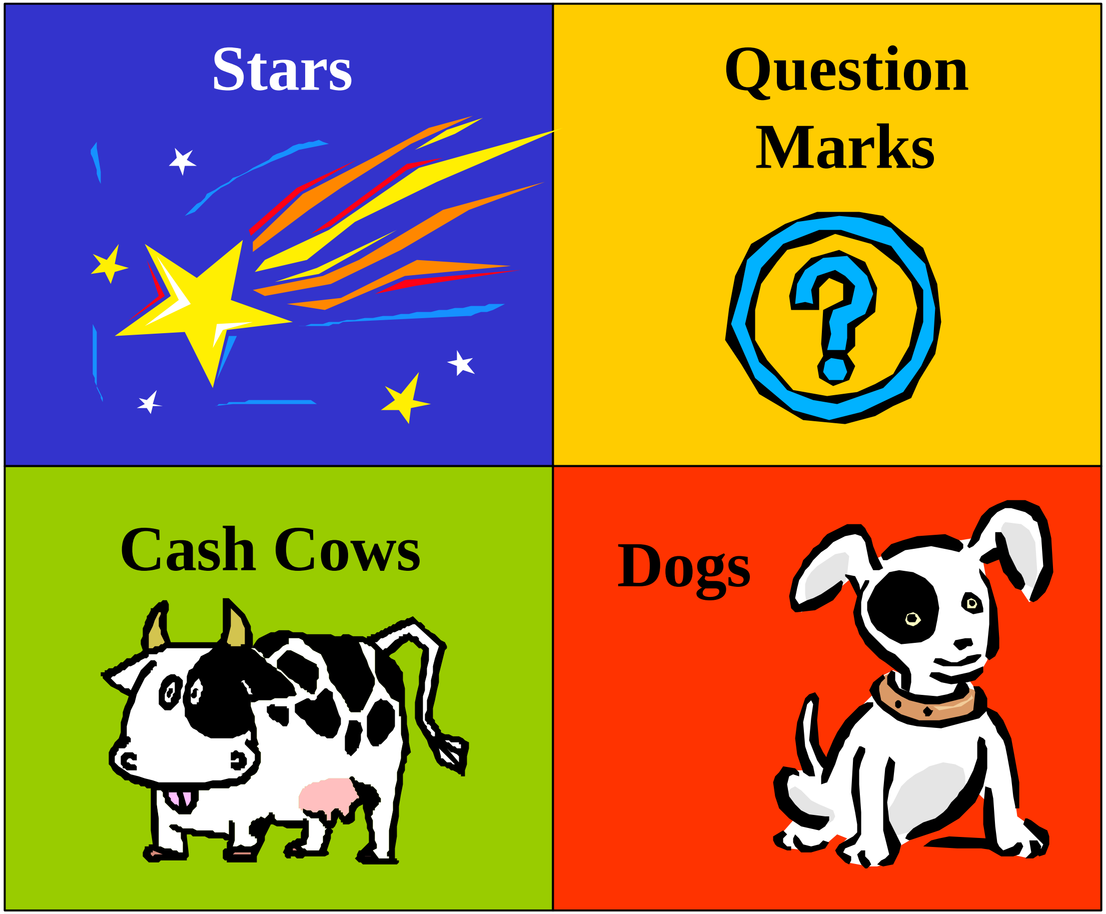
The Boston Consulting Group’s (BCG) Growth-Share Matrix

The Boston matrix classifies a firm’s products according to their cash usage and their cash generation along the dimensions of relative market share and market growth rate.

Market share is used because it is an indicator of the product’s ability to generate cash.

Market growth is used because it is an indicator of the product’s cash requirements.

The BCG
Growth-Share Matrix



Stars

Question Marks

Cash Cows

Dogs

High

Market Growth Rate

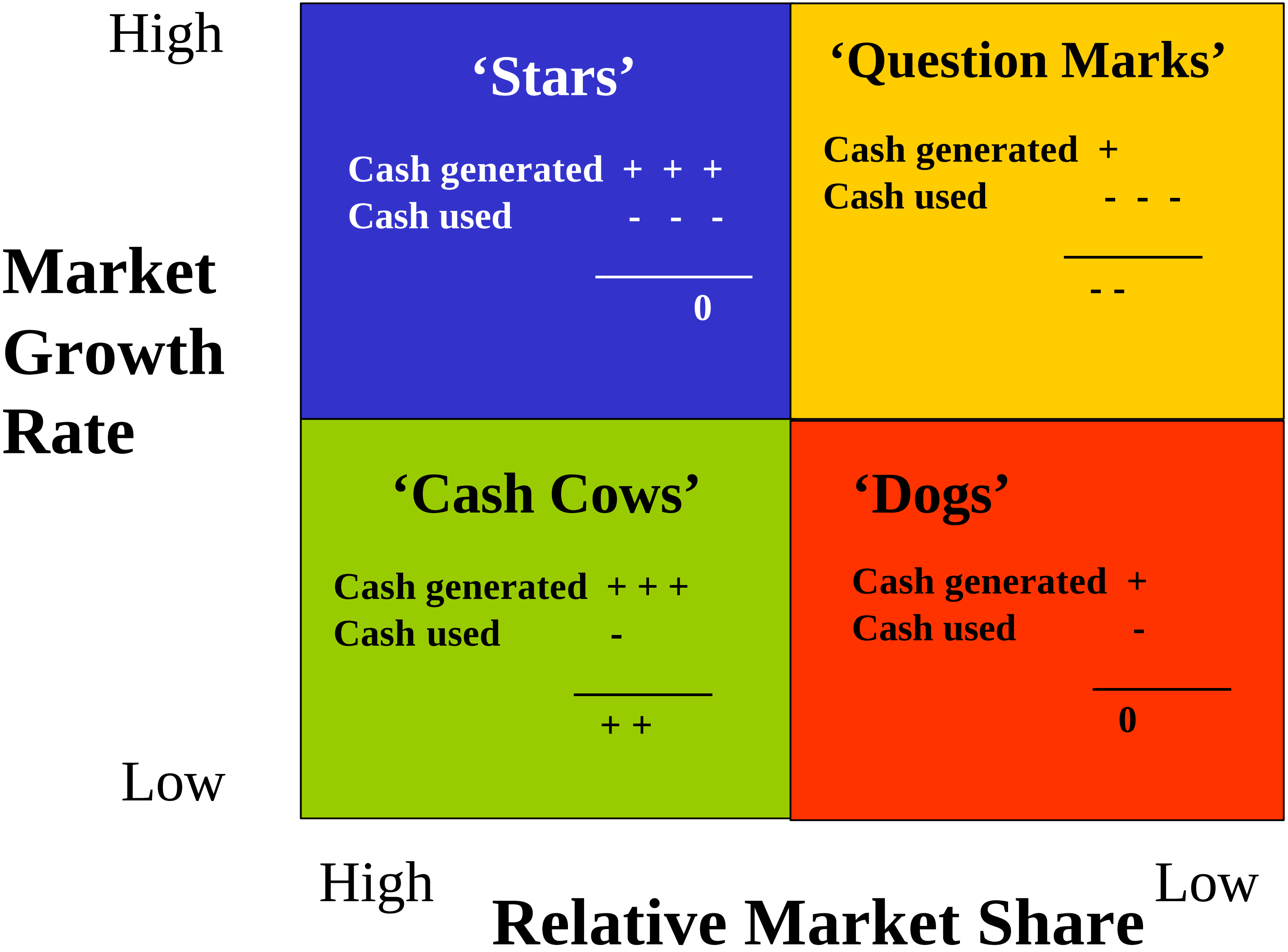
Low

High

Relative Market Share

Low

The BCG
Growth-Share Matrix



High

Market Growth Rate

Low

‘Stars’

Cash generated + + +
Cash used - - -
0

‘Question Marks’

Cash generated +
Cash used - - -
- -

‘Cash Cows’

Cash generated + + +
Cash used -
+ +

‘Dogs’

Cash generated +
Cash used -
0

High

Relative Market Share

Low

The BCG
Growth-Share Matrix

High

Market Growth Rate

Low

‘Stars’

Cash generated + + +
Cash used - - -

0

The ‘Star’ is probably the newest product that has achieved high market share and which is probably more or less self-financing in cash terms.

High

Low

Relative Market Share

The BCG
Growth-Share Matrix

High

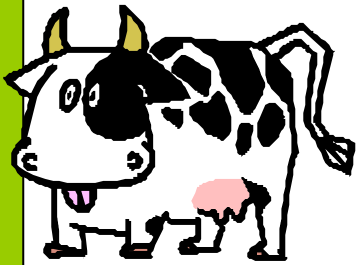
The ‘Cash cows’ are leaders in markets where there is little additional growth, but a lot of stability. They are excellent generators of cash and tend to use little because of the state of the market.

Market Growth Rate

‘Cash Cows’

Cash generated + + +
Cash used -

+ +



Low

High

Relative Market Share

Low

The BCG
Growth-Share Matrix

High

Market Growth Rate

‘Dogs’ often have little future and can be a cash drain on the firm. They are probably candidates for divestment, although often such products fall into a category described as ‘investments in managerial ego’.

Low

‘Dogs’

Cash generated +
Cash used -

0

High **Relative Market Share** Low

The BCG
Growth-Share Matrix

High

Market Growth Rate

Low

The ‘Question mark’ is a product which has not yet achieved a dominant market position and thus a high cash flow. It will be a high user of cash because it is in a growth market.

‘Question Marks’

Cash generated +
Cash used - - -

- -

This is also sometimes referred as a ‘wildcat’.

High

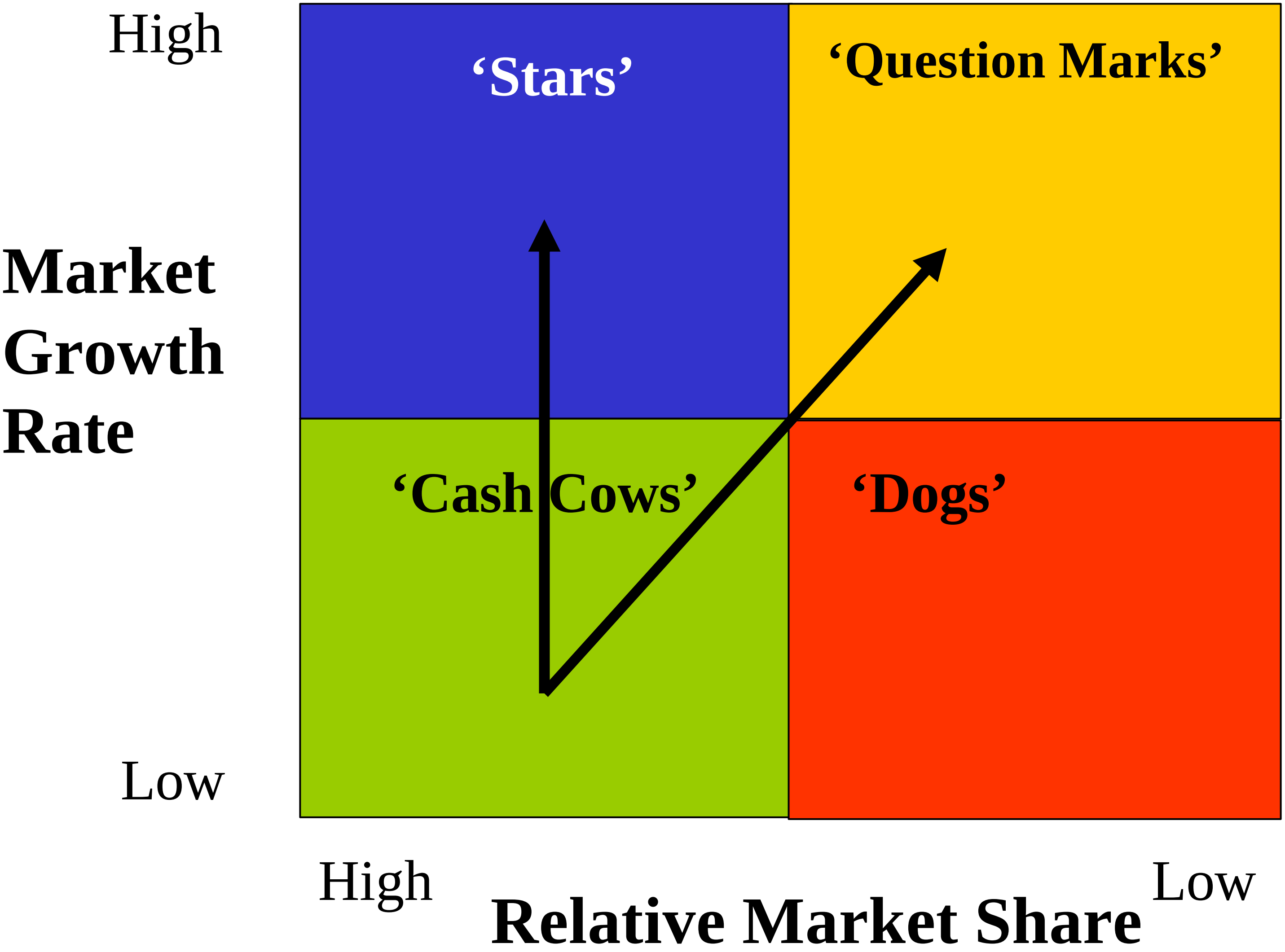
Relative Market Share

Low

The art of product portfolio management now becomes a lot clearer.

What we should be seeking to do is to use the surplus cash generated by the ‘cash cows’ to invest in our ‘stars’ and in a selected number of ‘question marks’

The BCG
Growth-Share Matrix



High

Market Growth Rate

Low

‘Stars’

‘Question Marks’

‘Cash Cows’

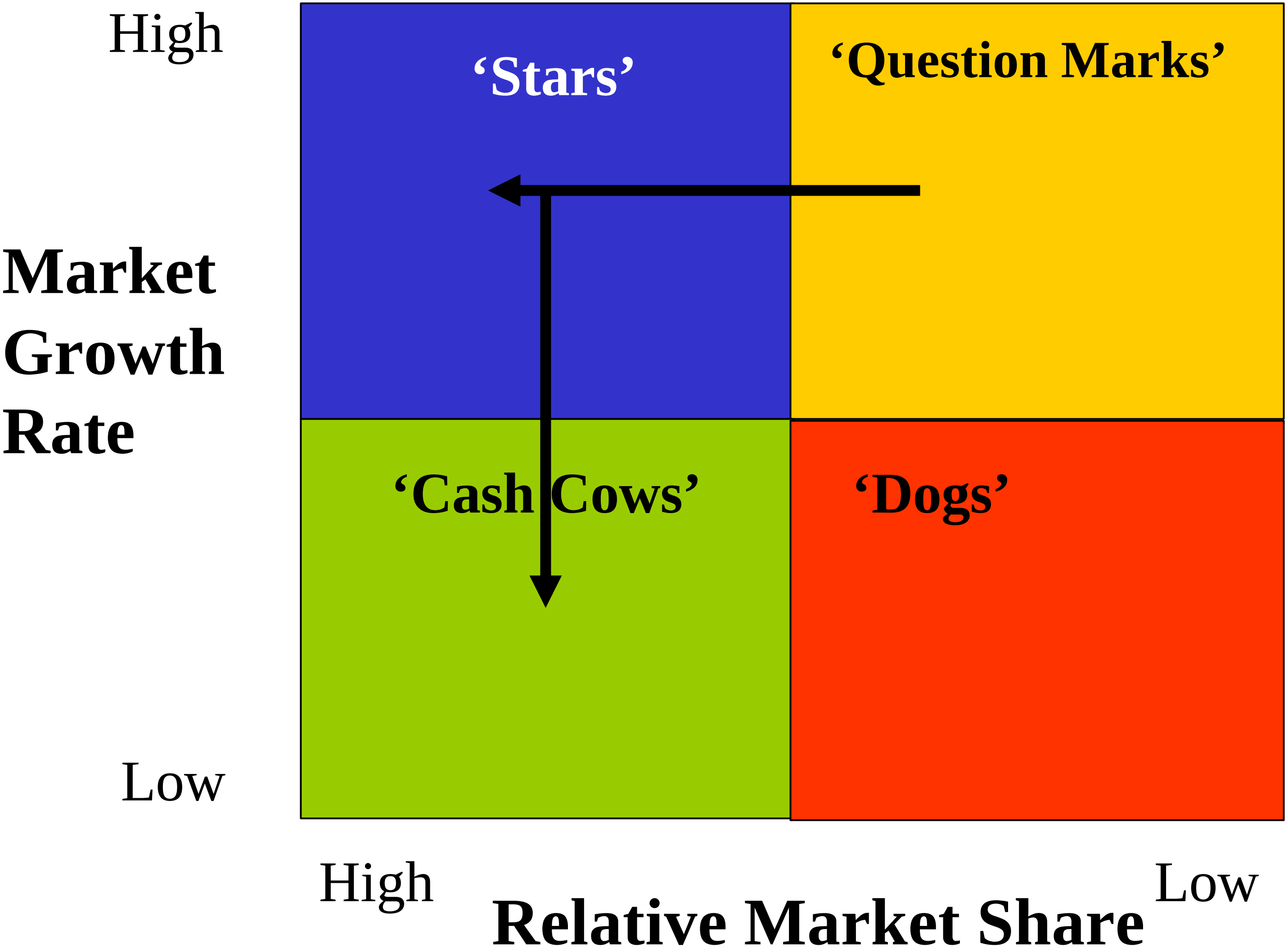
‘Dogs’

High

Low

Relative Market Share

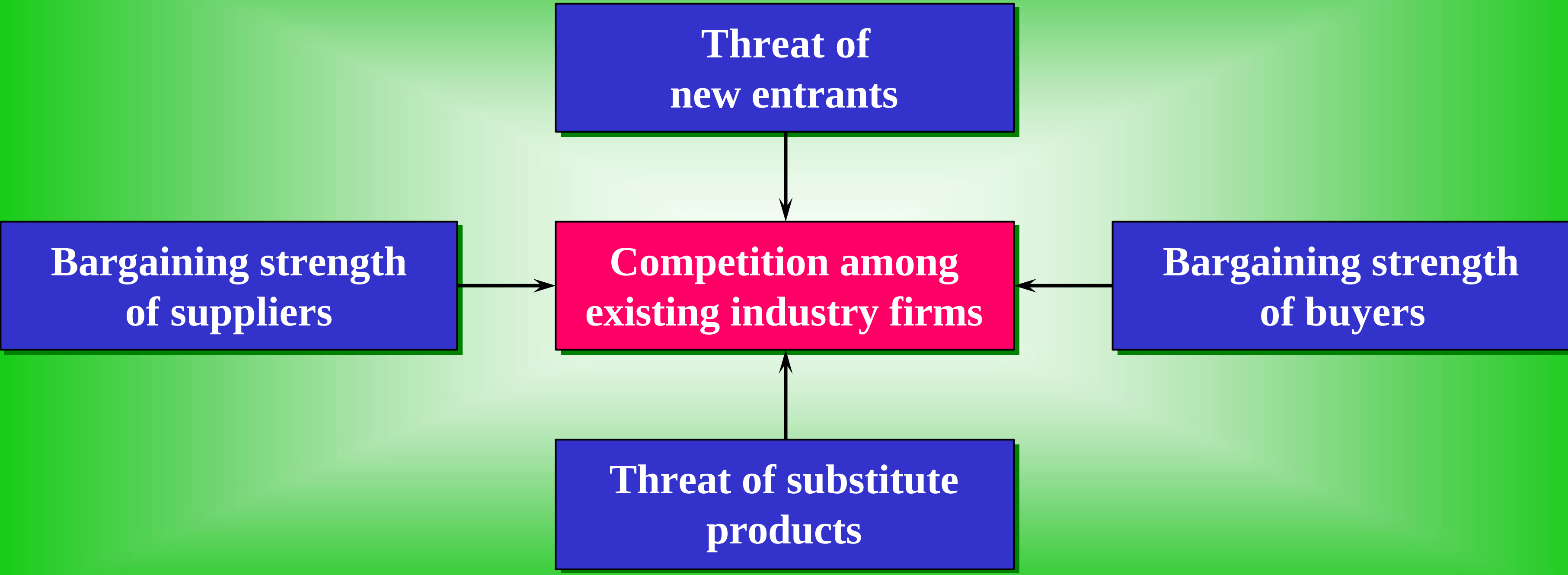
The BCG
Growth-Share Matrix



Using Ansoff's Matrix
to determine Marketing Directions

Ansoff	↔	Direction
Cash Cows	↔	Maintain
Question marks	↔	Grow or Exit
Stars	↔	Improve
Dogs	↔	Harvest or Exit

The Major Forces that Determine Industry Competition



Threat of new entrants

Bargaining strength of suppliers

Competition among existing industry firms

Bargaining strength of buyers

Threat of substitute products

Porter