Chapter 2
Strategic Planning in Contemporary Marketing

Boone & Kurtz
Chapter Objectives

1. Distinguish between strategic planning and tactical planning.
2. Explain how marketing plans differ at various levels in an organization.
3. Identify the steps in the marketing planning process.
4. Describe successful planning tools and techniques, including Porter’s Five Forces model, first and second mover strategies, SWOT analysis, and the strategic window.
Chapter Objectives

5. Identify the basic elements of a marketing strategy.
6. Describe the environmental characteristics that influence strategic decisions.
7. Describe the methods for marketing planning, including business portfolio analysis and the BCG matrix.
Marketing Planning: The Basis for Strategy and Tactics

- **Planning** - Anticipating future events and conditions and determining the best way to achieve organizational objectives

- **Marketing planning** - Implementing planning activities devoted to achieving marketing objectives
# Planning at Different Managerial Levels

<table>
<thead>
<tr>
<th>Management Level</th>
<th>Types of Planning Emphasized at This Level</th>
<th>Examples</th>
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</thead>
<tbody>
<tr>
<td><strong>Top Management</strong></td>
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<tr>
<td>Board of directors</td>
<td>Strategic planning</td>
<td>Organizationwide objectives; fundamental strategies; long-term plans; total budget</td>
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<tr>
<td>Chief executive officer</td>
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<tr>
<td>Chief operating officer</td>
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<td>Chief financial officer</td>
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<tr>
<td><strong>Middle Management</strong></td>
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<tr>
<td>General sales manager</td>
<td>Tactical planning</td>
<td>Quarterly and semiannual plans; business unit budgets; divisional policies and procedures</td>
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<td>Team leader</td>
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<td>Director of marketing research</td>
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<tr>
<td><strong>Supervisory Management</strong></td>
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<tr>
<td>Regional sales manager</td>
<td>Operational planning</td>
<td>Daily and weekly plans; unit budgets; departmental rules and procedures</td>
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<tr>
<td>Supervisor—telemarketing office</td>
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Steps in the Marketing Planning Process

- Defining the organization’s mission

  - **Mission** - Essential purpose that differentiates one company from another

    - Examples:
      - Microsoft Office: “Real life tools”
      - Sephora: “The beauty authority”
      - IBM: “Welcome to the decade of smart”
Defining the organization’s objectives

Objectives - Guide the development of marketing objectives and plans

Examples:

- Generate a 15 percent profit over the next 24 months
- Add 25 new outlets within the next year
- Cut manufacturing costs by 10 percent
Assessing Organizational Resources and Evaluating Environmental Risks and Opportunities

- **Resources include:**
  - Production
  - Marketing
  - Finance
  - Technology
  - Employees

- **Strengths help planners:**
  - Set objectives
  - Develop plans
  - Take advantage of marketing opportunities
Formulating, Implementing, and Monitoring a Marketing Strategy

- **Marketing strategy** - Selecting and satisfying target consumers through the marketing mix elements

- The final steps of the planning process:
  - Marketers put the marketing strategy into action
  - Marketers monitor performance to ensure that objectives are achieved
First Mover and Second Mover Strategies

- **First mover strategy** – The company first to offer a product in a marketplace will be the long-term market winner

- **Second mover strategy** – Observing the innovations of first movers and then improving on them to gain advantage in the marketplace
CHAPTER 2 Strategic Planning in Contemporary Marketing

**Strengths**
- Cost advantages
- Financial resources
- Customer loyalty
- Modern production facilities
- Patents

**Weaknesses**
- Too narrow a product line
- Lack of management depth
- High-cost operation due to high labor costs and obsolete production facilities
- Inadequate financing capabilities
- Weak market image

**Opportunities**
- Add to product line
- Enter new markets
- Acquire firms with needed technology

**Threats**
- Changing buyer tastes
- Likely entry of new competitors
- Adverse government policies

**Leverage**

**Problems**

*figure 2.3 SWOT Analysis*
The Strategic Window

- Limited periods when key requirements of a market and a firm’s particular competencies best fit together
- Requires a thorough analysis of:
  - Current and projected external environmental conditions
  - Current and projected internal company capabilities
  - How, whether, and when the firm can reconcile environmental conditions and company capabilities
Elements of a Marketing Strategy

- The target market
- Marketing mix variables
Figure 2.4
Element of a Marketing Strategy and Its Environmental Framework
The Marketing Environment

Five external dimensions that affect the marketing mix variables:

- Competitive
- Political-legal
- Economic
- Technological
- Social-cultural
Methods for Marketing Planning

- **Business portfolio analysis**
  - An evaluation of a company’s products and divisions to determine the strongest and weakest
Strategic Business Units

- Key business units within diversified firms
- Each strategic business unit (SBU):
  - Has its own managers, resources, objectives, and competitors
  - Pursues its own distinct mission and develops its own plans independently
- SBUs help focus the attention of company managers
**Figure 2.5**

**BCG Market Share/Market Growth Matrix**

<table>
<thead>
<tr>
<th>Relative Market Share</th>
<th>Industry Growth Rate</th>
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</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td><strong>Stars</strong></td>
<td><strong>Cash Cows</strong></td>
</tr>
<tr>
<td>Generate considerable income</td>
<td>Generate strong cash flow</td>
</tr>
<tr>
<td><strong>Strategy:</strong> Invest more funds for future growth</td>
<td><strong>Strategy:</strong> Milk profits to finance growth of stars and question marks</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Question Marks</strong></td>
<td><strong>Dogs</strong></td>
</tr>
<tr>
<td>Have potential to become stars or cash cows</td>
<td>Generate little profits</td>
</tr>
<tr>
<td><strong>Strategy:</strong> Either invest more funds for growth or consider disinvesting</td>
<td><strong>Strategy:</strong> Consider withdrawing</td>
</tr>
</tbody>
</table>