

Principles of Marketing

**Company and Marketing
Strategy: Partnering to Build
Customer Relationships**

Learning Objectives

After studying this chapter, you should be able to:

1. Explain companywide strategic planning in its four steps
2. Discuss how to design business portfolios and develop growth strategies
3. Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value
4. Describe the elements of a customer-driven marketing strategy and mix, and the forces that influence it
5. List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring return on marketing investment

Chapter Outline

- 1. Companywide Strategic Planning: Defining Marketing's Role**
- 2. Planning Marketing: Partnering to Build Customer Relationships**
- 3. Marketing Strategy and the Marketing Mix**
- 4. Managing the Marketing Effort**
- 5. Measuring and Managing Return on Marketing Investment**

Companywide Strategic Planning: Defining Marketing's Role

Strategic Planning

Strategic planning is the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities

Companywide Strategic Planning: Defining Marketing's Role

Defining a Market-Oriented Mission

Mission statement: The organization's purpose, what it wants to accomplish in the larger environment

Market-oriented mission statement:
Defines the business in terms of satisfying basic customer needs

Companywide Strategic Planning: Defining Marketing's Role

Setting Company Objectives and Goals

- Business objectives
- Marketing objectives

Companywide Strategic Planning: Defining Marketing's Role

Designing the Business Portfolio

The business portfolio is the collection of businesses and products that make up the company

Companywide Strategic Planning: Defining Marketing's Role

Analyzing the Current Business Portfolio

Analyzing the current business portfolio is the process by which management evaluates the products and businesses making up the company

Companywide Strategic Planning: Defining Marketing's Role

Steps in Analyzing the Current Business Portfolio

1. Identify key businesses making up the company
2. Assess the attractiveness of its various SBUs
3. Decide how much support each SBU deserves

Companywide Strategic Planning: Defining Marketing's Role

Steps in Analyzing the Current Business Portfolio

Identify key businesses making up the company

- **Strategic business unit (SBU)** is a unit of the company that has a separate mission and objectives that can be planned separately from other company businesses
 - Company division
 - Product line within a division
 - Single product or brand

Companywide Strategic Planning: Defining Marketing's Role

Steps in Analyzing the Current Business Portfolio

Assess the attractiveness of various SBUs and decide how much support each deserves

Companywide Strategic Planning: Defining Marketing's Role

Analyzing the Current Business Portfolio The Boston Group Approach

Growth share matrix is a portfolio planning method that evaluates a company's strategic business units in terms of their market growth rate and relative share

Strategic business units are classified as:

- Stars
- Cash Cows
- Question marks
- Dogs

Companywide Strategic Planning: Defining Marketing's Role

Analyzing the Current Business Portfolio *The Boston Group Approach*

Stars are high-growth, high-share businesses or products requiring heavy investment to finance rapid growth. They will eventually turn into cash cows.

Cash cows are low-growth, high-share businesses or products that are established and successful SBUs requiring less investment to maintain market share

Companywide Strategic Planning: Defining Marketing's Role

Analyzing the Current Business Portfolio *The Boston Group Approach*

Question marks are low-share business units in high-growth markets requiring a lot of cash to hold their share

Dogs are low-growth, low-share businesses and products that may generate enough cash to maintain themselves but do not promise to be large sources of cash

Companywide Strategic Planning: Defining Marketing's Role

Analyzing the Current Business Portfolio Problems with Matrix Approaches

- Difficulty in defining SBUs and measuring market share and growth
- Time consuming
- Expensive
- Focus on current businesses, not future planning

Companywide Strategic Planning: Defining Marketing's Role

Developing Strategies for Growth and Downsizing

Product/market expansion grid is a tool for identifying company growth opportunities through market penetration, market development, product development, or diversification

Companywide Strategic Planning: Defining Marketing's Role

Developing Strategies for Growth and Downsizing

- Product/market expansion grid strategies
 - Market penetration
 - Market development
 - Product development
 - Diversification

Companywide Strategic Planning: Defining Marketing's Role

Developing Strategies for Growth and Downsizing

Market penetration is a growth strategy increasing sales to current market segments without changing the product

Market development is a growth strategy that identifies and develops new market segments for current products

Companywide Strategic Planning

Defining Marketing's Role

Developing Strategies for Growth and Downsizing

Product development is a growth strategy that offers new or modified products to existing market segments

Diversification is a growth strategy through starting up or acquiring businesses outside the company's current products and markets

Companywide Strategic Planning

Defining Marketing's Role

Developing Strategies for Growth and Downsizing

Downsizing is the reduction of the business portfolio by eliminating products or business units that are not profitable or that no longer fit the company's overall strategy

Planning Marketing: Partnering to Build Customer Relationships

Partner Relationship Management

Partner relationship management is the process of working closely with partners in other company departments to form an effective value chain that serves the customer, as well as partnering effectively with other companies in the marketing system to form a competitively superior value-delivery network

Planning Marketing: Partnering to Build Customer Relationships

Partnering with Other Company Departments

Value chain is a series of departments that carry out value-creating activities to design, produce, market, deliver, and support a firm's products

Planning Marketing: Partnering to Build Customer Relationships

Partnering with Others in the Marketing System

Value delivery network is made up of the company, suppliers, distributors, and ultimately customers who partner with each other to improve performance of the entire system

Marketing Strategy and the Marketing Mix

Marketing Strategy

Marketing strategy is the marketing logic by which the business unit hopes to achieve its marketing objectives

Marketing Strategy and the Marketing Mix

Customer-Driven Marketing Strategy

Market segmentation is the division of a market into distinct groups of buyers who have distinct needs, characteristics, or behavior and who might require separate products or marketing mixes

Marketing Strategy and the Marketing Mix

Customer-Driven Marketing Strategy

Market segment is a group of consumers who respond in a similar way to a given set of marketing efforts

Target marketing is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter

Marketing Strategy and the Marketing Mix

Customer-Driven Marketing Strategy

Market positioning is the arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of the target consumer

Marketing Strategy and the Marketing Mix

Developing an Integrated Marketing Mix

Marketing mix is the set of controllable tactical marketing tools—**p**roduct, **p**rice, **p**lace, and **p**romotion—that the firm blends to produce the response it wants in the target market

Marketing Strategy and the Marketing Mix

Developing an Integrated Marketing Mix *The four Ps*

- **P**roduct
- **P**rice
- **P**lace
- **P**romotion

Marketing Strategy and the Marketing Mix

Developing an Integrated Marketing Mix

The four Ps

Product is the goods and services in combination that the company offers to the target market

Price is the amount of money customers have to pay to obtain the product

Marketing Strategy and the Marketing Mix

Developing an Integrated Marketing Mix

The four Ps

Place is the company activities that make the product available to target customers

Promotion is the activities that communicate the merits of the product and persuade target customers to buy it

Marketing Strategy and the Marketing Mix

Developing an Integrated Marketing Mix

The 4 Ps *versus* *The 4 Cs*

Product

Customer solution

Price

Customer cost

Place

Convenience

Promotion

Communication

Managing the Marketing Effort

Managing the marketing effort requires:

- Analysis
- Planning
- Implementing
- Controlling

Managing the Marketing Effort

Marketing Analysis

Analysis is the complete analysis of the company's situation in a **SWOT** analysis that evaluates the company's:

- **Strengths**
- **Weaknesses**
- **Opportunities**
- **Threats**

Managing the Marketing Effort

Marketing Analysis

Strengths include internal capabilities, resources, and positive situational factors that may help to serve company customers and achieve company objectives

Weaknesses include internal limitations and negative situational factors that may interfere with company performance

Managing the Marketing Effort

Marketing Analysis

Opportunities are favorable factors or trends in the external environment that the company may be able to exploit to its advantage

Threats are unfavorable factors or trends that may present challenges to performance

Managing the Marketing Effort

Market Planning

Planning is the development of strategic and marketing plans to achieve company objectives

Marketing strategy consists of the specific strategies for target markets, positioning, the marketing mix, and marketing expenditure levels

Managing the Marketing Effort

Market Planning

Sections of a marketing plan include:

- Executive summary
- Current marketing situation
- Threats and opportunities
- Objective and issues
- Action programs
- Budgets
- Controls

Managing the Marketing Effort

Marketing Implementation

Implementing is the process that turns marketing plans into marketing actions to accomplish strategic marketing objectives

Successful implementation depends on how well the company blends its people, organizational structure, decision and reward system, and company culture into a cohesive action plan that supports its strategies

Managing the Marketing Effort

Marketing Department Organization

- Functional
- Geographic
- Product
- Market or customer management

Managing the Marketing Effort

Marketing Department Organization

Functional organization: This is the most common form of marketing organization with different marketing functions headed by a functional specialist

- Sales manager
- Market research manager
- Customer service manager
- New product manager

Managing the Marketing Effort

Marketing Department Organization

Geographic organizations: Useful for companies that sell across the country or internationally. Managers are responsible for developing strategies and plans for a specific region.

Product Management: Useful for companies with different products or brands. Managers are responsible for developing strategies and plans for a specific product or band.

Managing the Marketing Effort

Marketing Department Organization

Market or customer management organization: Useful for companies with one product line sold to many different markets and customers. Managers are responsible for developing strategies and plans for their specific markets or customers.

Managing the Marketing Effort

Marketing Department Organization

Customer management involves a customer focus and not a product focus for managing customer profitability and customer equity

Managing the Marketing Effort

Marketing Control

Controlling is measuring and evaluating results and taking corrective action as needed

- Operating control
- Strategic control

Managing the Marketing Effort

Marketing Control

Operating control involves checking ongoing performance against annual plan and taking corrective action as needed

Strategic control involves looking at whether the company's basic strategies are well matched to its opportunities

Managing the Marketing Effort

Marketing Control

Marketing audit is a comprehensive, systematic, independent, and periodic examination of a company's environment, objectives, strategies, and activities to determine problem areas and opportunities

Measuring and Managing Return on Marketing Investment

Return on Marketing Investment (ROI)

Return on marketing investment (ROI)

is the net return from a marketing investment divided by the costs of the marketing investment. Marketing ROI provides a measurement of the profits generated by investments in marketing activities.

Measuring and Managing Return on Marketing Investment

Customer-Centered Measures

- Customer acquisition
- Customer retention
- Customer lifetime value