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.
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)
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

Market penetration

Market extension

New

Product development

Diversification

Increasing market newness
## Alternative Corporate Growth Strategies

### Current products

<table>
<thead>
<tr>
<th>Market penetration Strategies</th>
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<tbody>
<tr>
<td>• increase market share</td>
</tr>
<tr>
<td>• increase product usage</td>
</tr>
<tr>
<td>- increase frequency of use</td>
</tr>
<tr>
<td>- increase quantity used</td>
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<tr>
<td>- new applications</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Product development Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• product improvements</td>
</tr>
<tr>
<td>• product-line extensions</td>
</tr>
<tr>
<td>• new products for same market</td>
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</table>

### New products

<table>
<thead>
<tr>
<th>Market development Strategies</th>
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</thead>
<tbody>
<tr>
<td>• expand markets for existing products</td>
</tr>
<tr>
<td>- geographic expansion</td>
</tr>
<tr>
<td>- target new segments</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Diversification strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• vertical integration</td>
</tr>
<tr>
<td>- forward integration</td>
</tr>
<tr>
<td>- backward integration</td>
</tr>
<tr>
<td>• diversification into related businesses (concentric diversification)</td>
</tr>
<tr>
<td>• diversification into unrelated businesses (conglomerate diversification)</td>
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</tbody>
</table>

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** (High Relative Market Share, High Market Growth Rate)
- **Cash Cows** (Low Relative Market Share, High Market Growth Rate)
- **Question Marks** (High Relative Market Share, Low Market Growth Rate)
- **Dogs** (Low Relative Market Share, Low Market Growth Rate)
The BCG Growth-Share Matrix

High

Market Growth Rate

High

Relative Market Share

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
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.

### The BCG Growth-Share Matrix

<table>
<thead>
<tr>
<th>High Market Growth Rate</th>
<th>High Relative Market Share</th>
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<tbody>
<tr>
<td>‘Stars’</td>
<td></td>
</tr>
<tr>
<td>Cash generated</td>
<td>+ + +</td>
</tr>
<tr>
<td>Cash used</td>
<td>- - -</td>
</tr>
<tr>
<td>0</td>
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| Low Market Growth Rate | Low Relative Market Share |
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.

<table>
<thead>
<tr>
<th>Relative Market Share</th>
<th>Market Growth Rate</th>
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<tbody>
<tr>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
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</table>

‘Cash Cows’
- Cash generated: + + +
- Cash used: -
- Net: + +
‘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’.

The BCG Growth-Share Matrix

<table>
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<tr>
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<tr>
<td>High</td>
<td>Low</td>
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<table>
<thead>
<tr>
<th>‘Dogs’</th>
<th>Cash generated +</th>
<th>Cash used -</th>
<th>________</th>
<th>0</th>
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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.

This is also sometimes referred as a ‘wildcat’.

The BCG Growth-Share Matrix

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‘Question Marks’

Cash generated +
Cash used - - -

_____

..
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 Relative Market Share
- Low Relative Market Share

- High Market Growth Rate
- Low Market Growth Rate

- ‘Stars’
- ‘Question Marks’
- ‘Cash Cows’
- ‘Dogs’
The BCG Growth-Share Matrix

- **Stars** (High Relative Market Share, High Market Growth Rate)
- **Question Marks** (High Relative Market Share, Low Market Growth Rate)
- **Cash Cows** (Low Relative Market Share, High Market Growth Rate)
- **Dogs** (Low Relative Market Share, Low Market Growth Rate)
Using Ansoff’s Matrix to determine Marketing Directions

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

Ansoff Direction
- Harvest or Exit
- Improve
- Stars
- Grow or Exit
- Question marks
- Maintain
- Cash Cows
- Dogs
The Major Forces that Determine Industry Competition

- Threat of new entrants
- Threat of substitute products
- Competition among existing industry firms
- Bargaining strength of suppliers
- Bargaining strength of buyers

Porter