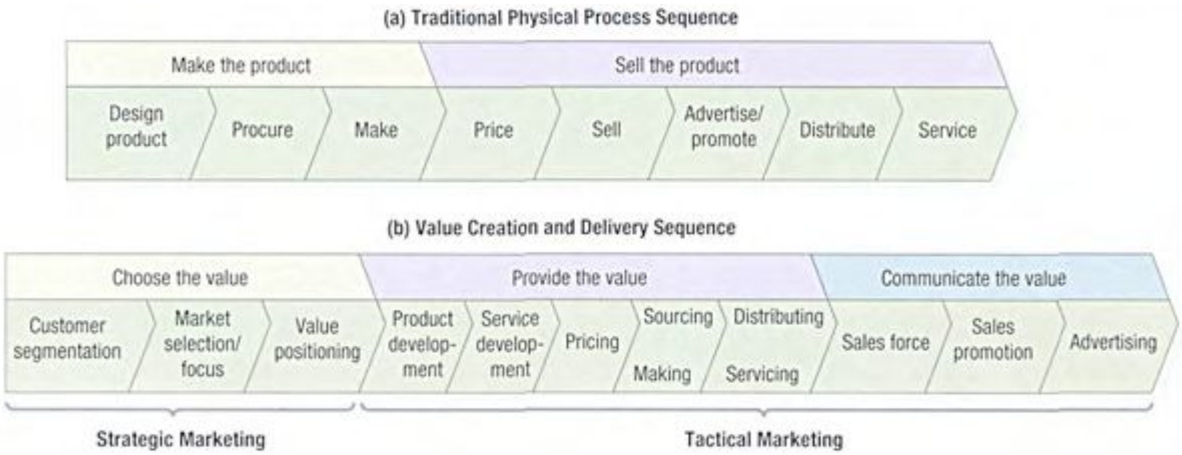
Strategic marketing management

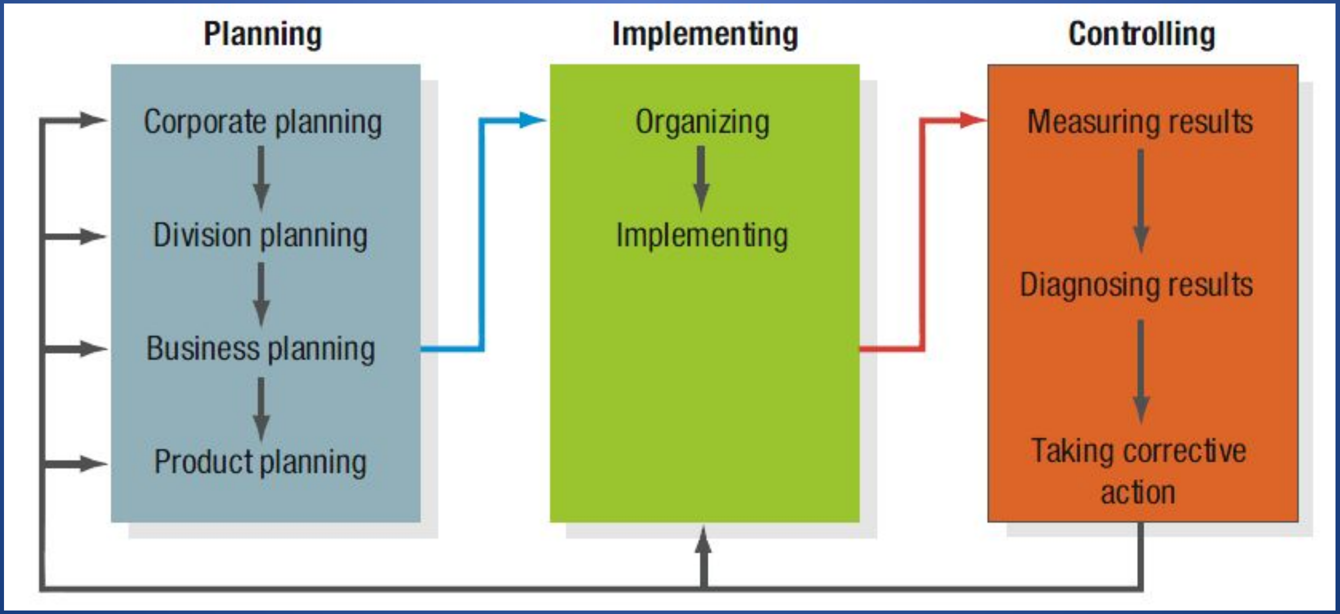
The Value Delivering Process



Strategic planning levels

- Corporate level
- Division level
- SBU
- Product management

- Strategic planning
- Tactical planning
- Operationnal planning



Top management planning activities

- Mission statement
- Strategic audit
- Strategic business units management
- Business development assessment
- Business portfolio analysis and management

Mission statement articulation

Enterprenneurs:

- Using product
- Using technology
- Using prospect market

Non-profit subjects:

- Using, purpose, why subjest was founded

Strategic marketing audit

External audit:

- Markets
- Competition
- Business environment
- Ekonomic environment

Internal audit:

- Analyzing whole value delivering chain

Kotler, P., Armstrong, G. : Moderní marketing, Grada 2003

Porter‘s value chain

Primary Activities

The market-sensing process.
The new-offering realization process.
The customer acquisition process.
The customer relationship management process.
The fulfillment management process.

Porter‘s value chain

Primary activities

- Inwards logistics
- Manufacturing
- Outward logistics
- Marketing & sales
- Services

Supporting activities

- Company infrastructure
- Human resources
- Research & development
- Procurement

Cooperation

- Market sensing
- Product inovations
- New business
- CRM
- Fulfillment

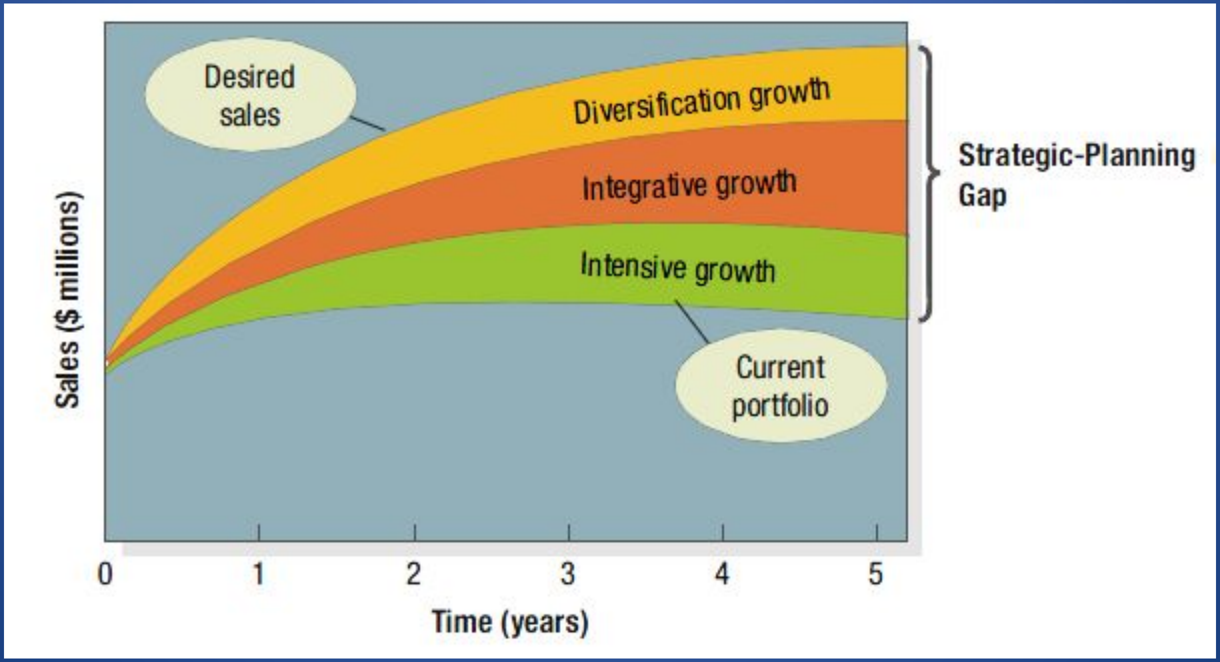
Strategic Business Unit

- 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 a manager responsible for strategic planning and profit performance, who controls most of the factors affecting profit.

Growth opportunities

GAP analysis

- Acquisition gap
- Sales gap
- Retention gap



Growth opportunities

Ansoff's Product-Market Expansion Grid

	Current Products	New Products
Current Markets	1. Market-penetration strategy	3. Product-development strategy
New Markets	2. Market-development strategy	(Diversification strategy)

Intensive growth:

Integrative growth:

1. backward integration
2. forward integration
3. horizontal integration

Diversification growth:

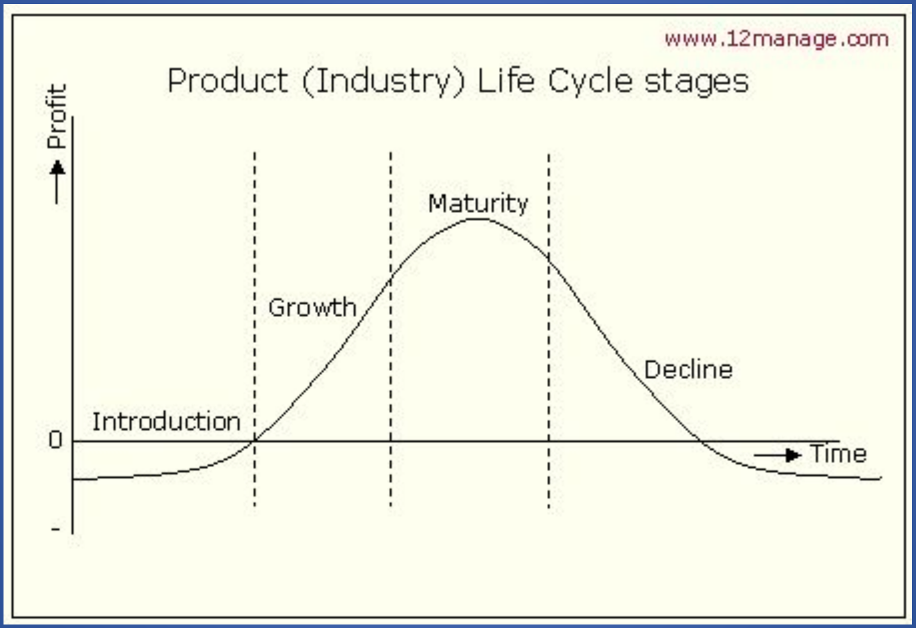
1. concentric diversification
2. horizontal diversification
3. conglomerate strategy

Downsizing and divesting older business

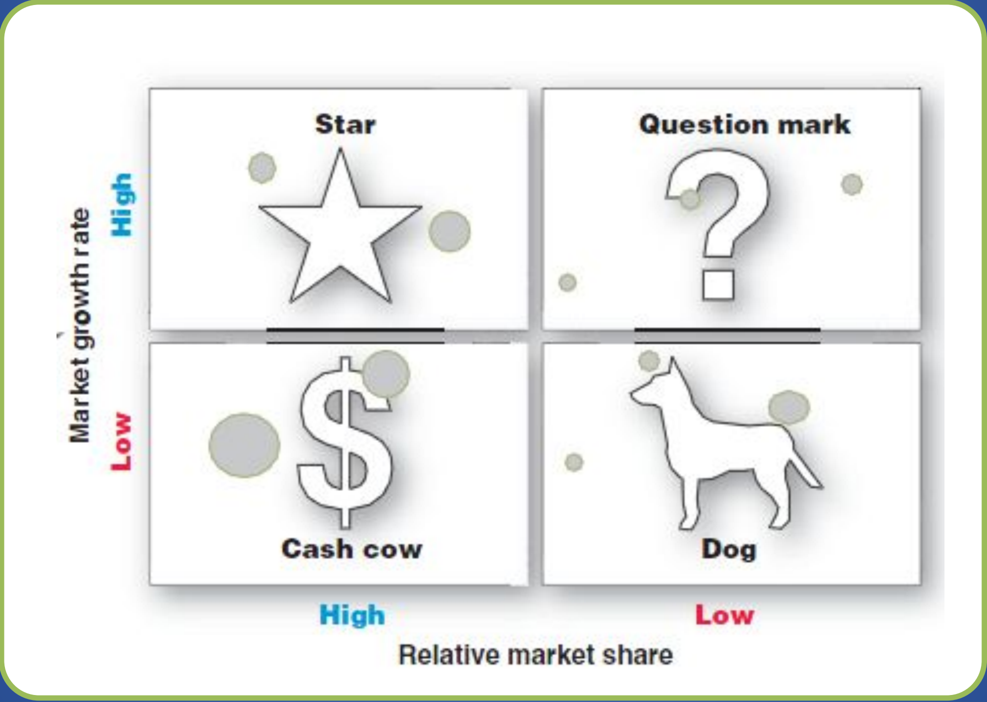
Portfolio management

- BCG matrix (Boston Consulting Group)
- GE matrix (McKinsey)
- Shell directional policy matrix
- Industry Life Cycle Matrix (A. D. Little)

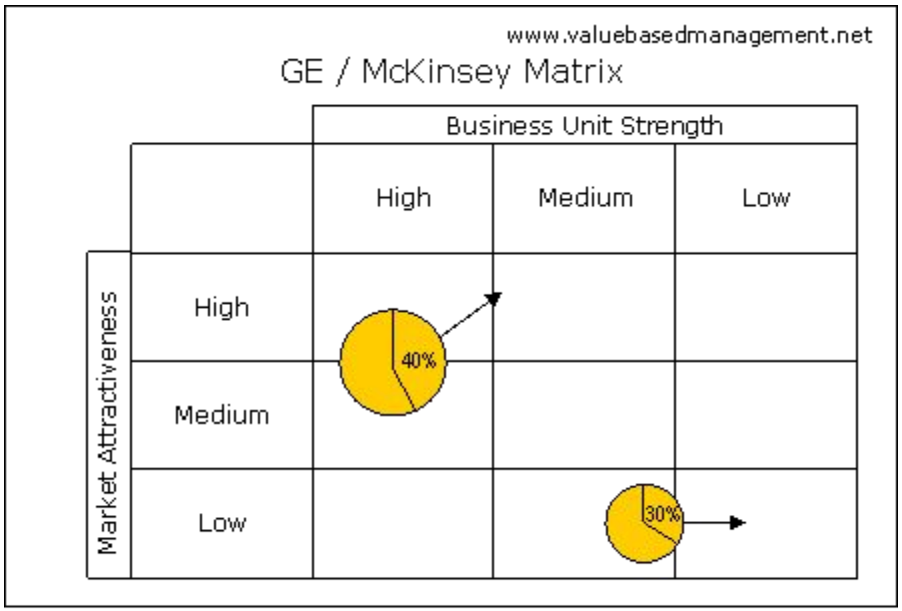
The Product Life Cycle



BCG (growth/share matrix)



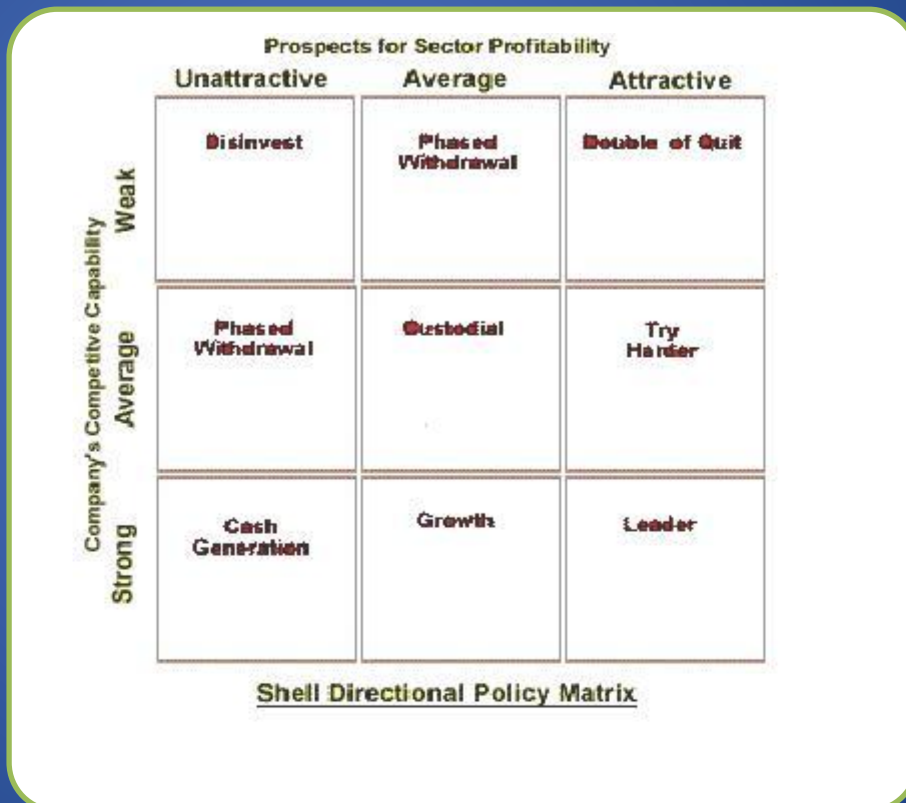
GE matrix



Business Position – Strength

Market attractiveness	High	Medium	Low
High	Invest for growth	Invest selectively for growth	Protect. Develop selectively building upon strengths
Medium	Invest. The organization is selective in choice of product/ service	Protect. Develop and build selectively for revenue generation	Harvest
Low	Protect. Develop for revenue generation	Harvest Or Divest	Divest

Shell directional policy matrix



Industry Life Cycle Matrix

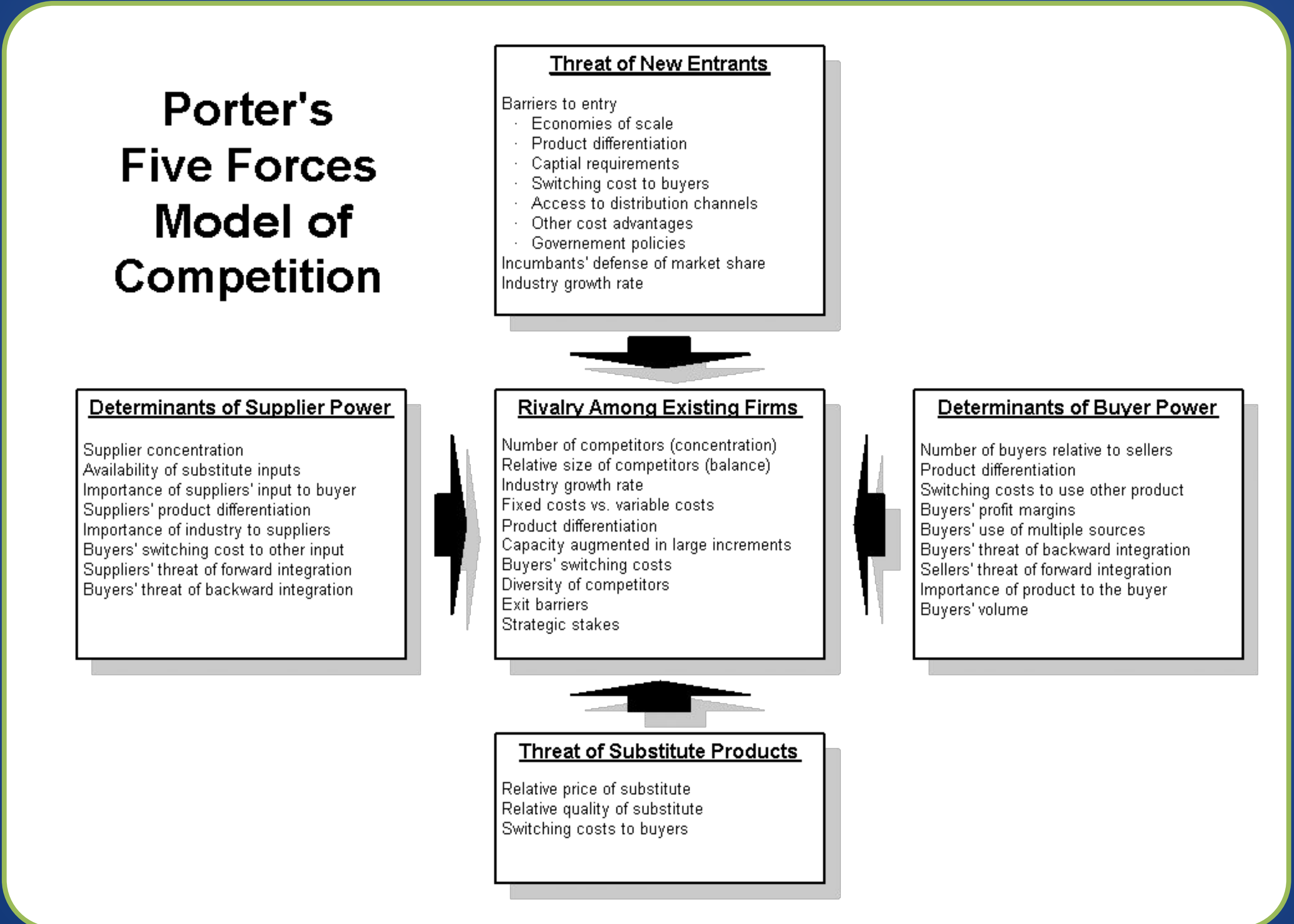
A. D. Little

Competitive position:
Dominant
Strong
Favorable
Tenable
Weak

SBU’s life cycle:
Embryonic
Growth
Maturity
Ageing

Porter‘s 5 forces

(the outside-in approach)



Purchasing Portfolio Management

Kraljic model

„Purchasing must become Supply Management“ – P.Kraljic, HBR 1983

Step 1: Purchase Classification

- Supply risk is high when the item is a scarce raw material, when its availability could be affected by government instability or natural disasters, when delivery logistics are difficult and could easily be disrupted, or when there are few suppliers.

- Profit impact is high when the item adds significant value to the organization's output. This could be because it makes up a high proportion of the output (for example, raw fruit for a fruit juice maker) or because it has a high impact on quality (for example, the cloth used by a high-end clothing manufacturer).

Step 2: Market Analysis

Here, you investigate how much power your suppliers have, and how much buying power you have as their customer. A good way of doing this is to use Porter‘s Five Forces Analysis

Step 3: Strategic Positioning

Classify the products or materials you identified as 'strategic' in Step 1 according to the supplier and buyer power analysis you did in Step 2

Step 4: Action Plans

Finally, develop action plans for each of the products and materials you need on a regular basis according to where those items are placed in the matrix in Step 3.

Purchasing Portfolio Management

Kraljic model

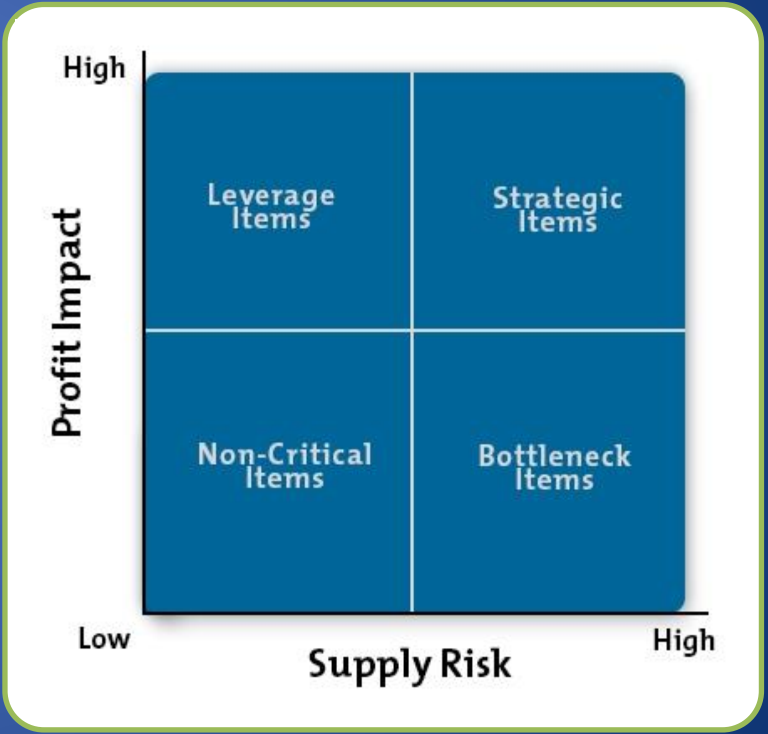
Step 1: Purchase Classification

Strategic items (high profit impact, high supply risk).
These items deserve the most attention from purchasing managers. Options include developing long-term supply relationships, analyzing and managing risks regularly, planning for contingencies, and considering making the item in-house rather than buying it, if appropriate.

Leverage items (high profit impact, low supply risk).
Purchasing approaches to consider here include using your full purchasing power, substituting products or suppliers, and placing high-volume orders.

Bottleneck items (low profit impact, high supply risk).
Useful approaches here include overordering when the item is available (lack of reliable availability is one of the most common reasons that supply is unreliable), and looking for ways to control vendors

Non-critical items (low profit impact, low supply risk).
Purchasing approaches for these items include using standardized products, monitoring and/or optimizing order volume, and optimizing inventory levels.



Product Purchasing Classification Matrix

Purchasing Portfolio Management

Kraljic model

Step 3: Strategic Positioning

•Classify the products or materials you identified as 'strategic' in Step 1 according to the supplier and buyer power analysis you did in Step 2. To do this, simply enter each item in the purchasing portfolio matrix, shown in Figure below.

Purchasing Portfolio Matrix

Purchasing Portfolio Management

Kraljic model

Step 4: Action Plans

Finally, develop action plans for each of the products and materials you need on a regular basis according to where those items are placed in the matrix in Step 3.

The three purchasing strategies indicated are as follows:

Exploit – Make the most of your high buying power to secure good prices and long-term contracts from a number of suppliers, so that you can reduce the supply risk involved in these important items. You may also be able to make 'spot purchases' of individual batches of the item, if a particular supplier offers you a good deal.
The only real caution is not to take any aggressive approach too far, just in case circumstances change.

Balance – Take a middle path between the exploitation approach and the diversification approach described below.

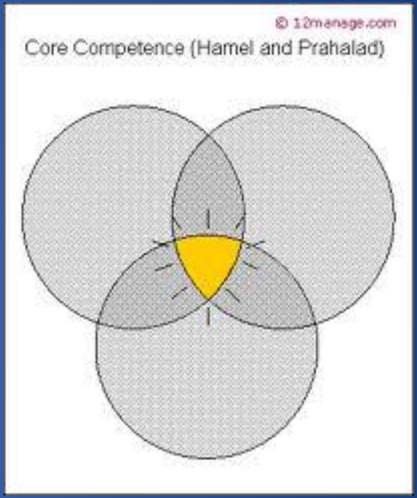
Diversify – Reduce the supply risks by seeking alternative suppliers or alternative products. For example, in our logistics example, could you use the railroad to ship some of your overland freight instead of relying solely on trucking companies?

You can also increase your buying power by consolidating to a single supplier. And, in other situations, you could bring the production of the item in-house.

Core competencies

(the inside-out approach)

Company‘s Competitiveness derives from ability to create **core competencies. They:**

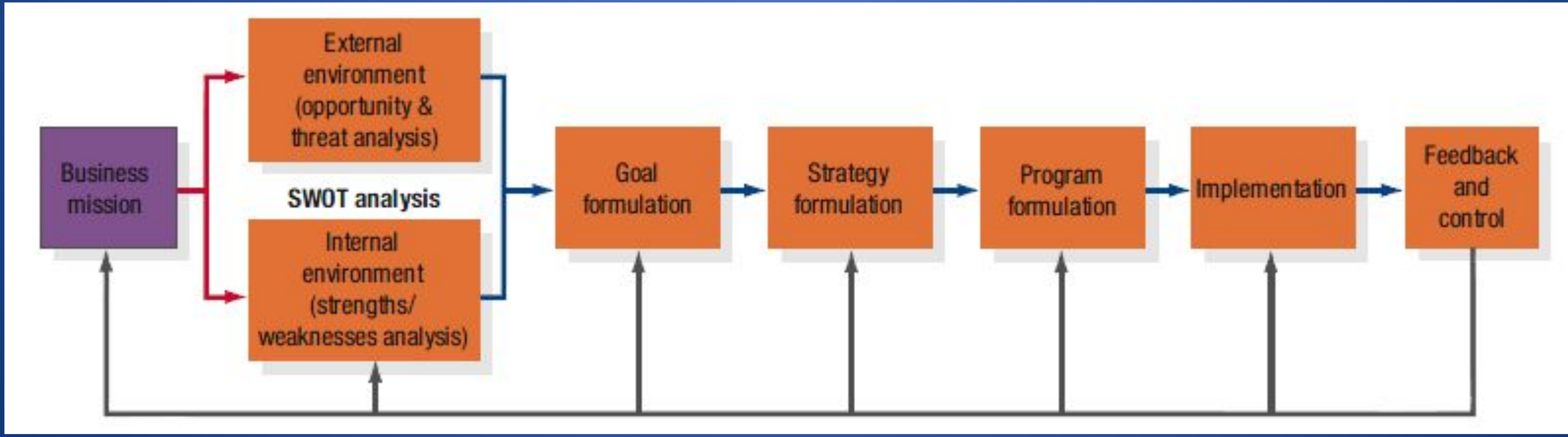


1. Are applicable on many various markets
2. Provide significant contribution to the product value as perceived by the customer
3. Are difficult to immitate by the competitors

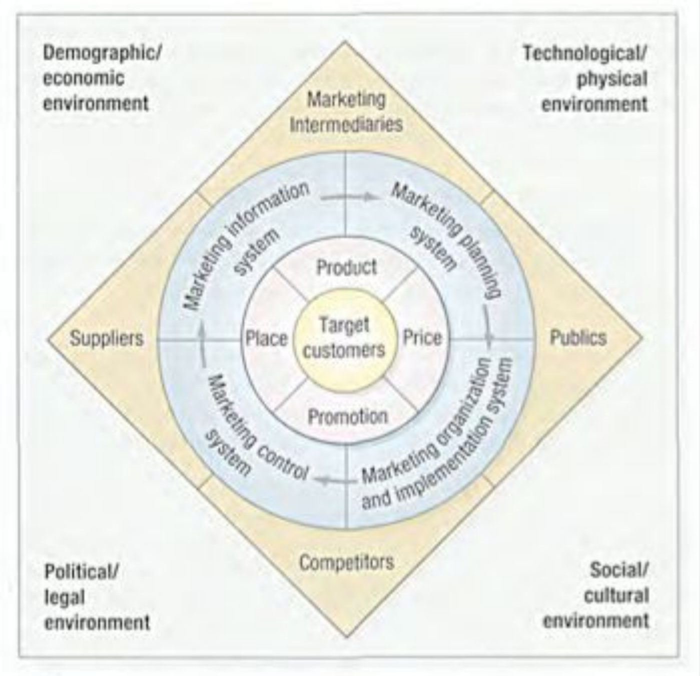
Prahalad and Hamel (1990)

Strategic Business Unit Planning

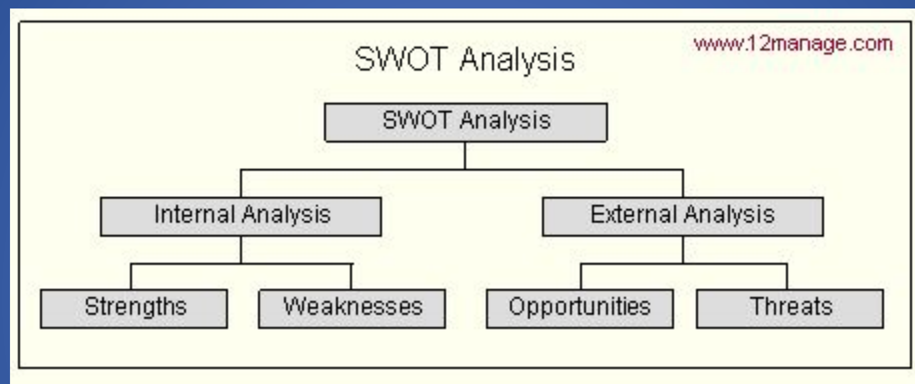
- Mission Statement
- SWOT analysis
- Goal formulation
- Strategy Formulation
- Program Formulation and Implementation
- Feedback and Control



Marketing environments



SWOT analysis

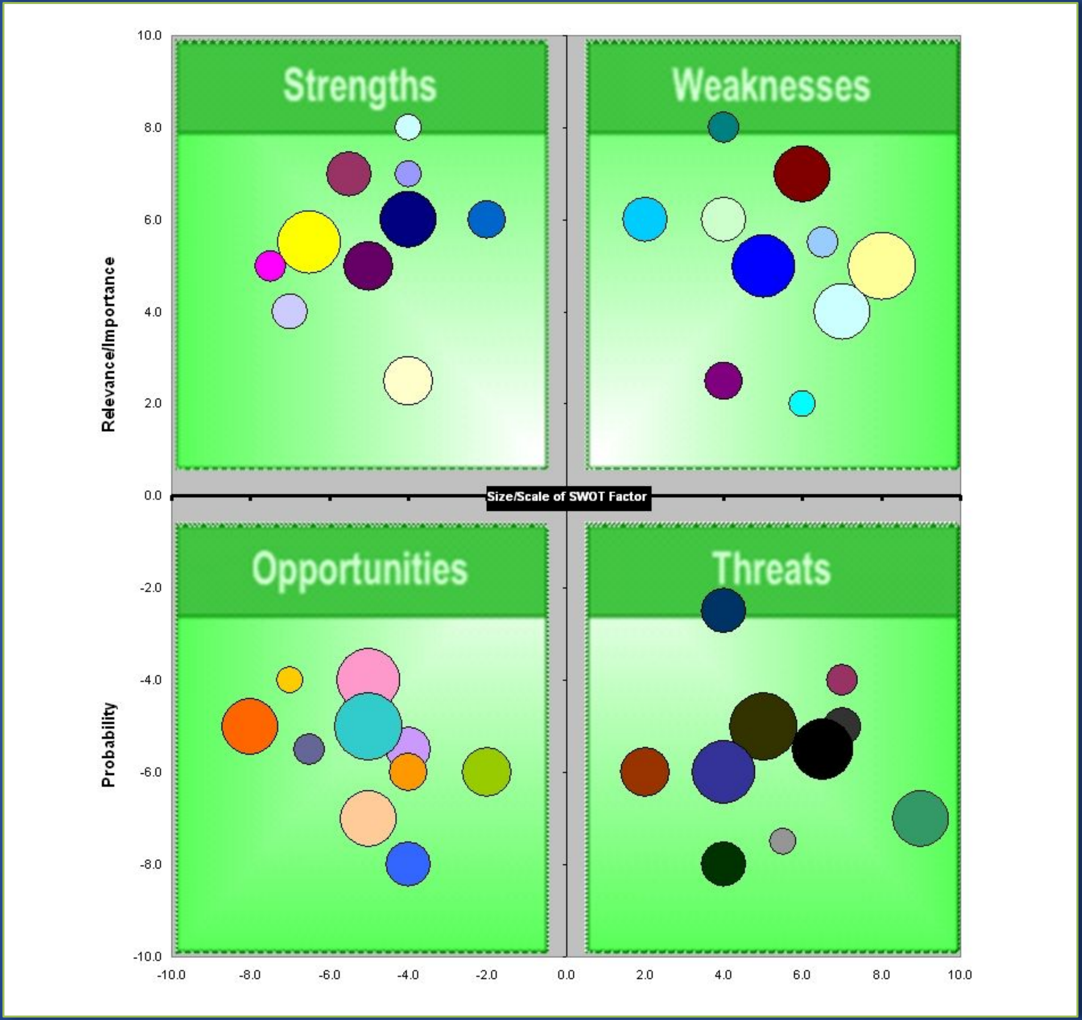


	Opportunities	Threats
Strengths	**Offensive** make the most of these	**Defensive** restore strengths
Weaknesses	**Strenghten** watch competition closely	**Survive** turn around

SWOT analysis example

Strengths	Weaknesses
• Specialist marketing expertise • Exclusive access to natural resources • Patents • New, innovative product or service • Location of your business • Cost advantage through proprietary know-how • Quality processes and procedures • Strong brand or reputation	• Lack of marketing expertise • Undifferentiated products and service (i.e. in relation to your competitors) • Location of your company • Competitors have superior access to distribution channels • Poor quality of goods or services • Damaged reputation
Opportunities	**Threats**
• Developing market (China, the Internet) • Mergers, joint ventures or strategic alliances • Moving into new attractive market segments • A new international market • Loosening of regulations • Removal of international trade barriers • A market that is led by a weak competitor	• A new competitor in your own home market • Price war • Competitor has a new, innovative substitute product or service • New regulations • Increased trade barriers • A potential new taxation on your product or service

Enhanced SWOT analysis



Goals Formulation

What can be a strategic goal?

- **Profitability**
- **Market share**
- **Risk minimalization**
- **Innovations**
- **Reputation**
- **Corporate Social Responsibility**

How the goals need to be formulated?

- **Specific**
- **Measurable**
- **Achiavable**
- **Realistic**
- **Time-related**

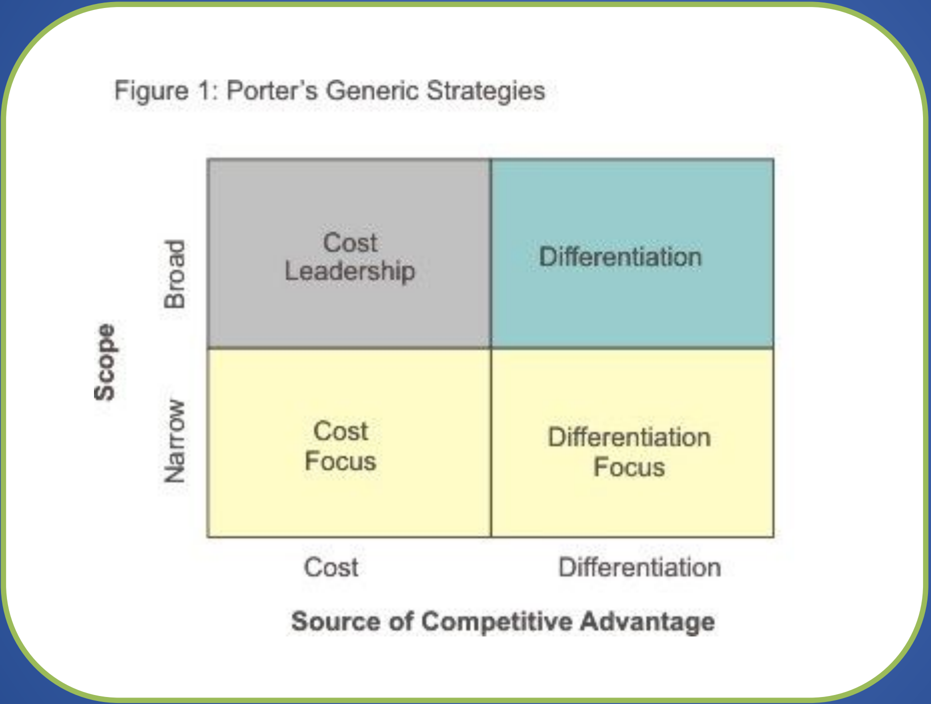
Strategy Formulation

Ansoff's grid

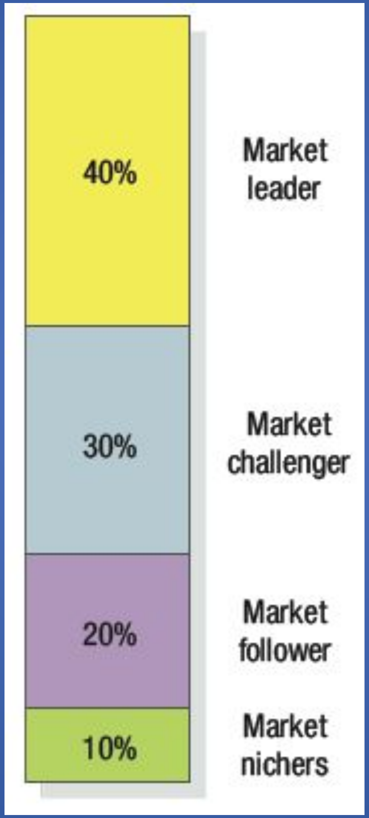
Porter's Generic Strategies

Kotler's Competitive Strategies

Porter‘s Generic Strategies

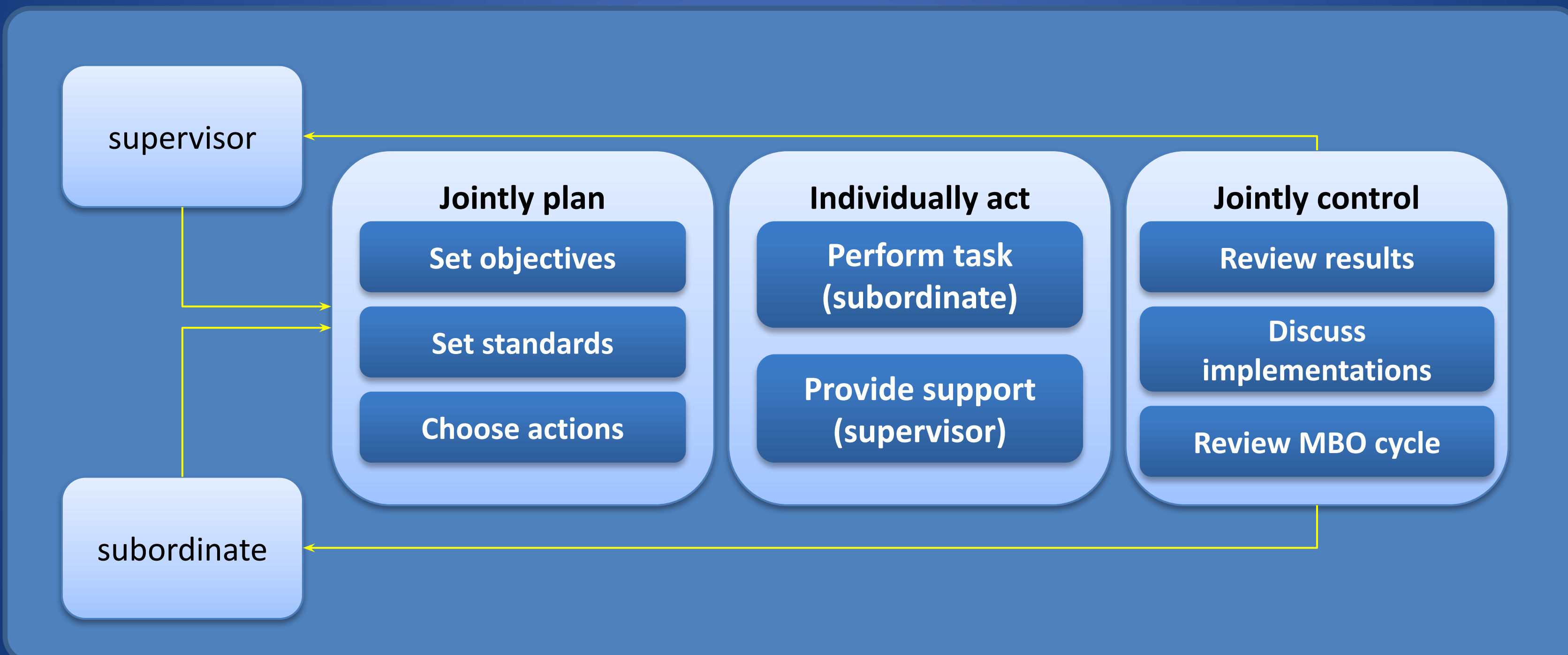


Kotler‘s Competitive Strategies



Hypotetical market structure

Management by Objectives (P. Drucker)



Marketing plan contents

- Executive Summary
- Situation analysis
- SWOT analysis
- Marketing objectives
- Marketing strategies
- Marketing programmes
- Budgets
- Audit procedures