Chapter 2

Planning, Implementing and Evaluating Marketing Strategies

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What is a Target Market?
- A group of people or businesses who you believe are most likely to buy your product or service
- The group of people you target with your marketing activities

Why is it important to define your target market carefully?
- To determine if there are enough potential customers for your business
- Tailor your products and services to better meet your customers’ needs and desires
- To target your marketing efforts to reach your most promising prospects, and
Learning Objectives

- How does a strategic planning process work?
- How do you implement a marketing strategy?
- How does a company develop a strategic marketing plan?
- Case study: Disney’s strategic planning process
What should you be able to do after today’s class?

- Understand how a company develops a strategic marketing plan
- Understand how to complete a SWOT analysis
Key Terms for Today

- What does it mean to be strategic?
- What is a core competency?
- What does it mean to be market oriented?
- What is a competitive advantage?
- What is a first-mover advantage?
- What is a marketing objective?
- What are the key functional areas of a business?
- What is strategic marketing management?
What does it mean to be strategic?

- Identifying a long-term goal and planning systematically to achieve that goal

Examples:
- Getting an A in this marketing class! 😊
- Transferring to a four-year college
- Starbucks partnership with Barnes and Noble was a strategic move to increase their ability to reach more consumers
- Eli Lilly enters into many strategic partnerships to discover and manufacture new drugs
What is a Core Competency?

A core competency is something you do extremely well that is hard to duplicate

Within a company, a unique characteristic or capability that provides competitive advantage and delivers value

Cannot be easily replicated by competitors

Examples:
- Black & Decker makes great small motors
- 3M makes adhesives and coatings
- Apple has a core competency in design
- Amazon.com’s distribution system
What is a Competitive Advantage?

- An advantage that a firm has over its competitors, allowing it to generate greater sales or profits and/or retain more customers than its competition

- Examples:
  - Companies with strong brands have a competitive advantage (Disney, Apple, Virgin...). Why?
  - IKEA has a competitive advantage in its ability to supply good-looking, low-cost furniture
  - Chipotle has an advantage as it claims to deliver fresh, tasty, healthy food, sources locally at a low price point
What is a First Mover Advantage?

A form of competitive advantage that a company earns by being the first to enter a specific market or industry.

- What are the disadvantage to being first?

Examples:
- Tesla’s luxury electric car
- Sony Betamax... and then what happened?

Being the first allows a company to acquire superior brand recognition and customer loyalty, also allowing it more time to perfect its product or service.
What is a Marketing Objective?

- States what is to be accomplished through marketing activities:
  - How is a product introduced?
  - What product innovations are introduced? How?
  - What is the marketing mix to achieve that objective?
  - How do we align our resources to achieve that objective?
  - How do we measure our success?
What are the key functional areas of a business?

- Research and Development
- Production
- Marketing
- Operations
- Finance
- Human Resources
What is Strategic Marketing Management?

- Effectively and efficiently planning, implementing and evaluating the performance of marketing activities and strategies to achieve the organizations objectives
What was Amazon’s key motivator to introduce the Kindle?
- Amazon is not known for developing and selling hardware and software

Was it a strategic move?
## The Strategic Planning Process

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<td>Establish the organization’s mission and goals</td>
<td>Establish the company’s corporate strategy</td>
<td>Assess the external and internal environment (SWOT)</td>
<td>Align the company’s resources and functional areas to achieve the goal</td>
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### Functional Areas

**MARKETING**
- Objectives
- Strategy
- Marketing Plan

**PRODUCTION**
- Objectives
- Strategy
- Production Plan

**FINANCE**
- Objectives
- Strategy
- Finance plan

**HUMAN RESOURCES**
- Objectives
- Strategy
- Human resource plan
External Analysis

- Economic
- Competitive
- Sociocultural
- Technology
- Legal & Regulatory
- Political
The Strategic Planning Funnel

Mission Statement
Corporate Strategy
Business-unit Strategy
Marketing Strategy
Marketing Mix Elements
Product • Distribution • Promotion • Pricing
Internal SWOT Analysis

- Assesses an organization’s strengths, weaknesses, opportunities, and threats
- Helps the company figure out how to:
  - Capitalize on strengths to develop competitive advantages
  - Turn weaknesses into strengths
  - Convert threats into opportunities
The SWOT Analysis
SWOT Analysis

**S**trengths provides an area to list everything done right either individually or as an organization. This section contains both strengths within the organization and external strengths, such as client relationships.

**W**eaknesses are aspects of your business that detract from the value you offer or place you at a competitive disadvantage. You need to enhance these areas in order to compete with your best competitor.

**O**pportunities are factors that represent reasons your business is likely to prosper. Such as being able to expand a franchise into a new city, while some may fall into your lap such as another country opening up its market to foreign business.

**T**hreats include external factors beyond your control that could place your strategy, or the business itself, at risk. You have no control over these, but you may benefit by having contingency plans to address them if they should occur.
SWOT Analysis

**STRENGTHS**
- Best-in-class capabilities in online retailing, customer service, fulfillment, distribution
- Lower advertising, marketing costs compared to traditional retailers
- Excess capacity available to scale up their operations
- Visionary management, hiring top executives across departments
- First mover advantage in many product categories and almost having a monopoly in the online ecommerce industry

**OPPORTUNITIES**
- Expansion in multiple categories such as Electronics, Toys, Home & Garden
- Strong brand appeal, multiple loyal customers, long-tail of products
- Existing retail players desire entry into the online market, but lack the resources to do so (e.g. Toys 'R' Us partnership)
- Online sales expected to grow at 60%+
- Amazon could explore long-distance Gifting opportunities

**WEAKNESSES**
- Need to leverage existing capabilities to enter new markets
- Building popularity/Marketing new product categories to create awareness is currently a slow process
- Net revenue is growing at an excellent pace, but where are the profits?
- Operating costs for holding inventory is expensive

**THREATS**
- Increasing complexity of online transaction model
- Other online retailers exiting from the market, causing an added load on Amazon
- Lack of confidence in the new revenue model of online players
- Existing competition from the traditional retailers
- Pressure from investors/shareholders to generate profits
Strategic Planning at: The Walt Disney Company
Walt Disney Company Mission Statement

"The Walt Disney Company’s objective is to be one of the world’s leading producers and providers of entertainment and information, using its portfolio of brands to differentiate its content, services and consumer products. The company’s primary financial goals are to maximize earnings and cash flow, and to allocate capital toward growth initiatives that will drive long-term shareholder value."
What is Disney’s Corporate Strategy?

Create core entertainment content (TV, movies, online) and then leverage that content via various platforms to capture value.

This was Walt’s strategy in 1957 too...
Let’s see how Disney implemented their strategic plan for one Franchise
Cars products were launched across all business units

Then there was Cars 2 and they did it all over again... Better and cheaper
What is Disney Publishing’s Strategy?

- Create products to support the corporate strategy to maximize the value of the Cars franchise
  - Books
  - Magazines
  - E-reading products
  - Comic books
  - Educational content for the classroom
What is the marketing objective for the Books division?

S
We have a well-oiled creative process and reliable authors

W
Our content approval process takes a long time

T
There are so many books about cars in the marketplace

O
Cars books could appeal to a larger demographic than kids
What is the marketing objective for the Books division?

- What product innovations are introduced? How?
- What is the marketing mix to achieve that objective?
- How do we align our resources to achieve that objective?
- How do we measure our success?
Develop the Marketing Mix for the Products

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<th>PRICE</th>
<th>DISTRIBUTION</th>
<th>PROMOTION</th>
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<tr>
<td>Hardcover</td>
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<td>Bookstores</td>
<td>Newspapers</td>
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<tr>
<td>Softcover</td>
<td>Bundling</td>
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<td>Commercials?</td>
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<tr>
<td>By age</td>
<td>Book Clubs</td>
<td>Schools</td>
<td>Reviewers</td>
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<td>Modifications for international markets</td>
<td>Wholesalers</td>
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