Defining the business purpose or mission

- Requires asking fundamental questions: What business are we in? What businesses do we want to be in? Who is our major competitor? What markets are we in?

Mission formulation and statement

- The **strategic intent** or vision of where organization want to be in foreseeable future
- The **values of the organization** should be spelled out to guide operations
- Articulate **distinctive competencies**
- **Market definition**, in terms of customer targets
- Finally, it should spell out where organization intends to be **positioned** in marketplace
- ***Components of mission:***

The marketing strategy process

- Three main levels:
  - Establishment of a core strategy
    - Assessment of companies capabilities (strengths and weaknesses relative to competition – opportunities and threats posed by the environment)
  - The creation of the company's competitive positioning
    - Competitive edge in serving customers better than competition is defines
  - The implementation of the strategy
    - Department putting strategy into action is created

Establishing the core strategy

Analysis of organizational resources

- Creation of long list of resources and many weaknesses that an organization has at its disposal
- They may stem from;
  - Skills of the workforce in assembling products
  - Skills of management in planning
  - R&D department in new product ideas
  - Distinctive competencies may lie in image, market presence or its after sales services (exploitable)

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The economic and political environment Economic growth rates and the business cycle, Employment and unemployment, National and supranational governments, Internationalization and globalization, Regional trade and trading areas, Taxation and fiscal policy, Interest rates, consumer and business confidence

Social and cultural environment Demographic change, The grey market, The youth market, Multi-ethnic market – western societies, Changing living patterns and lifestyles

Social and cultural pressures Customers are becoming increasingly demanding, They demand and expect reliable, and durable products with quick, efficient service, Customers are less prepared to pay substantial premium, Change in attitude to, concern for, the physical environment

The technological environment A shortening of commercialization times of new inventions/ Innovative marketing research companies/ internet – global electronic communications network

Globalization of markets Increasingly becoming global market/ Problems for competitors that do not operate on a global scale

New strategies for changing macro-environments

- Learn fast and adapt quickly (Dickson, 1992)
- Combination of culture and climate to maximize learning (Slater and Narver, 1995)
- Being market oriented
- Multi-mode marketing

Marketing strategies

- Global positioning Think globalization and focus core competencies
- The master brand; Brand identity that links all parts of the business e.g. Toyota, Honda
- The integrated enterprise and end-user focus; Challenge of managing people, processes and infrastructure to deliver value to end user
- Built-in-class processes; Challenge to meet world-class standards from wherever they come
- Mass customization; Product or service tailored to the individual customer requirements
- Breakthrough technology; New technology e.g. ‘smart toilet’ in Japan

Five forces driving cmpetition

1. **Rivalry among existing companies** The rivalry is likely to be most intense where; Competition in the industry are roughly evenly balanced in terms of size and share/ During periods of low market growth / Where exit barriers are high/ Where product differentiation is low/ Where fixed costs are relatively high

Chapter 5: Competitor Analysis

Competitive Market Analysis

- Without knowledge of competitors' strengths and their likely actions it is impossible to formulate the central component of marketing strategy – finding a group of customers for whom one has a competitive advantage over the competition.
- Similarly, since competitive advantage is a relative concept, a company that has poor understanding of its competitors can have no real understanding of itself.
- Several studies demonstrate a positive link between a clear understanding of competitor strategies and actions, and corporate performance
- the essential activities of gathering and disseminating and acting on competitor intelligence are:
    - benchmarking against rivals;
    - dimensions of competitor analysis;
    - the choice of 'good' competitors;
    - the origin, sources and dissemination of competitive information.

Competitive benchmarking

- Competitive benchmarking is the process of measuring your company's strategies and operations against 'best-in-class' companies, both inside and outside your own industry
- The purpose is to identify best practices that can be adopted or adapted to improve your own performance. Benchmarking usually involves four main steps.
- **Identifying who to benchmark against**
    - Industry leaders are obvious firms to compare your own activities against.
    - Central to such an analysis will be identifying the keys to their success in the market. What is it they do differently from others What makes the difference to their operations Why are they winners
    - Benchmarking may also, however, be undertaken against lesser players in the overall market. New entrants or smaller, more focused firms may have particular strengths from which the firm can learn. These strengths may be in a particular aspect of their operations rather than their operations in total.
    - Organizations also benchmark specific activities (such as procurement and purchasing) against other organizations outside their immediate sector where lessons can be transferred.
- **Identifying what aspects of business to benchmark**
    - All aspects of business across the complete value chain (see below) are candidates for benchmarking.
    - Scarce resources and time constraints generally dictate the selection of a few key central processes for detailed benchmarking.
    - These will initially center on the key factors for success in the industry.
    - Initial focus will also typically be on processes that account for significant costs, make a significant impact on customer satisfaction and show greatest room for improvement.
    - Subsequently analyses may be further broadened in attempts to create fresh competitive advantages in new areas of operation.

- Direct marketing also has a role to play here.

Resource portfolios

- Under the resource-based view of the firm (RBV), organizations are seen as collections of resources, assets and capabilities.
- These can then be viewed as a portfolio that are available for deployment
- Hamel and Prahalad (1994) suggest that in future firms will define themselves more as portfolios of competencies than as portfolios of products or SBUs.
- Four types of resource can be identified.
    - Crown Jewels. These are the resources where the organization enjoys an edge over its competitors and are instrumental in creating value for customers.
    - Black Holes. Black holes are resources where the organisation has an edge but which don't contribute to customer value creation.
    - Achilles' Heels. Where competitors are strong but the organisation is weak, and at the same time the resources are important in customer value creation, the clear implication is that resources need to be strengthened.
    - Sleepers. Finally, resources that neither constitute a competitive advantage nor are important in customer value creation could be termed sleepers.

Developing & exploiting resources

- Organizations need to ensure they are developing and nurturing the resources that will be required in the future.
- This involves a degree of forecasting how markets and customers will change over time.
- There are four strategies for development
    - The 'fill the gaps' strategy
        - Involves looking for better ways of serving existing customers, using the existing strengths of the organization. In many ways this may be seen as a defensive strategy used to protect existing positions from competitor encroachment.
    - Next generation Strategy
        - The organization retains its focus on existing markets and customers but recognizes that the resources it will need to serve them in the future will need to change
        - This requires the 'next generation' of resources to be built and nurtured.
    - Exploit current skills
        - This quest for new customers, or new markets, is, however, guided by the existing capabilities of the organization.
    - Diversified opportunities
        - Takes the organization simultaneously away from its existing markets and its existing resources – a more risky strategy and one that should not be pursued lightly.
        - Firms that go this route often do so through acquisition or merger.

- This suggests that the sequence in planning can be of the following type:
  - **Market segmentation** – identifying the most productive bases for dividing a market, identifying the customers in different segments and developing segment descriptions.
  - **Choice of target markets**: evaluating the attractiveness of different market segments, parts of segments (niches) or groups of segments, and choosing which should be targets for our marketing;
  - **Competitive positioning**: identifying the positioning of competitors (in the market and in target segments or niches), to develop our own positioning strategy
  - **Iteration**: understanding competitors' positioning and the possible positioning strategies open to us should influence our thinking about the attractiveness of different market segments and the choice of market targets, and may change the way we segment our market, leading to revised target choices and positioning approaches.

Principles of Competitive Positioning

- Kotler, 1997
  - Positioning is the act of designing the company's offering and image so that they can occupy a meaningful and distinct competitive position in the target customers' minds
- Competitive differences that creates a competitive position should meet the following criteria:
  - Importance
    - a difference should create a highly valued benefit for significant numbers of customers
  - Distinctive & pre-emptive
    - the difference cannot be imitated or performed better by others
  - Superior
    - the difference should provide a superior way for customers to obtain the benefit in question
  - Communicable
    - the difference should be capable of being communicated to customers and understood by them
  - Affordable
    - the target customers can afford to pay for the difference
  - Profitable
    - the difference will command a price adequate to make it profitable for the company

Four Pillars of Company's Distinctive Value Proposition

- **Direct** treating customers differently by dealing direct instead of through traditional distributors, and staying in touch throughout the purchase and use of the product
- **Hassle free** clear communications with customers, and no sales pressure or price haggling
- **Peace of mind** all customers pay the same price, and many features traditionally sold as extras are included in the deal
- **Courtesy** demonstrating respect for customer needs and preferences throughout the process

- Response to elements of the marketing mix
    - The use of elasticity of response to changes in marketing-mix variables as a basis for segmentation is particularly attractive as it can lead to more actionable findings, indicating where marketing funds can best be allocated.
- Relationship-seeking characteristics
    - A related characteristic for segmentation that is attracting some attention in the light of the move towards relationship marketing is the relationship requirements of customers
    - The segmenting markets into such groups:
        - relationship seekers
        - relationship exploiters
        - loyal buyers
        - arm's-length transaction customers

Segmenting Business Markets

Background company characteristics

- Industry type
- Company size
- Customer location
- Company technology
- Customer capabilities
- Purchasing organization
- Power structures
- Purchasing policies
- Product application

Attitudinal characteristics

- It is possible also to segment business markets on the basis of the benefits being sought by the purchasers.
- As we saw, benefit segmentation in the consumer market is the process of segmenting the market in terms of the underlying reasons why customers buy, focusing particularly on differences in why customers buy.
- Its strength is that it is segmentation based on customer needs. In the business market, the same logic applies to the purchasing criteria of different customers and product applications

Behavioral characteristics

- Behavioral issues relevant to segmenting business markets may include buyers' personal characteristics and product/brand status and volume.
- Business goods markets can be segmented by issues such as the following:
    - Buyer–seller similarity
    - Buyer motivation
    - Buyer risk perceptions

Chapter 11: Creating sustainable competitive advantage

Using organizational resources to create sustainable competitive advantage

- Organization will be able to create a long list of its resources, but some of these will be more useful than others in creating competitive advantage.
- Three main types: organizational culture; marketing assets; and marketing capabilities.
- There are three main characteristics of resources which, when they coincide, help create a sustainable competitive advantage (SCA).
- These are that the resource contributes to creating value for customers; that the resource is rare, or unique to the organization; and that the resource is hard for competitors to imitate or copy

Contribution to creating customer value

- For the resource to contribute to sustainable competitive advantage it must serve to distinguish the organization's offerings from those of competitors, throughout:
  - Uniqueness or scarcity
  - Inimitability

Generic routes to competitive advantage

Each of the activities within the value chain, the primary activities and the support functions, can be used to add value to the ultimate product or service.

Porter (1980) has identified two main routes to creating a competitive advantage. These he termed cost leadership and differentiation.

Achieving cost leadership

- Porter (1985) has identified several major factors that affect organizational costs.
- These he terms 'cost drivers'; they are shown in Figure 11.4 and each is reviewed briefly below.

Economies of scale

- Economies of scale are perhaps the single most effective cost driver in many industries.
- Scale economies stem from doing things more efficiently or differently in volume.
- In addition, sheer size can help in creating purchasing leverage to secure cheaper and/or better quality (less waste) raw materials and securing them in times of limited availability.

Experience & learning effects

- Further cost reductions may be achieved through learning and experience effects.
- Learning refers to increases in efficiency that are possible at a given level of scale through an employee's having performed the necessary tasks many times before.
- The Boston Consulting Group extended the recognised production learning curve beyond manufacturing and looked at the increased efficiency that was possible in all aspects of the business through experience.
- Experience can be brought into the company by hiring experienced staff, and be enhanced through training.

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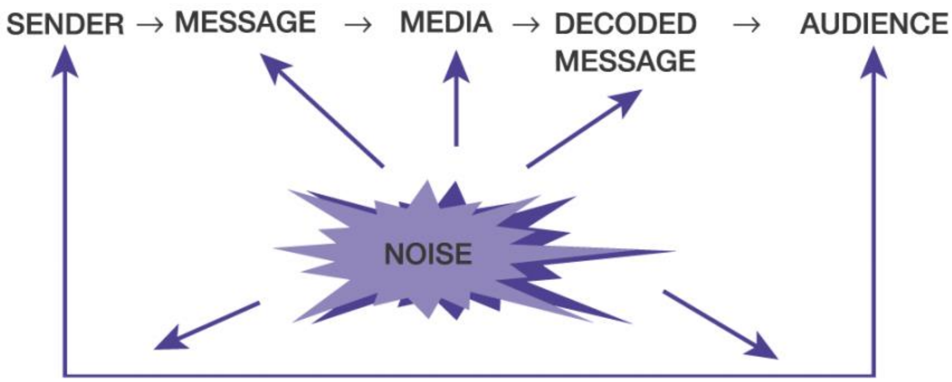
Communication Strategies

The communications process



A basic communications model (AIDA)

- Awareness, Interest, Desire, Action

Communications decisions

- What message to convey, ,What communication tools to use, How to translate the message in copy, Which media to use, How much to spend on communication

Communications tools

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Processes

- System & processes involved in delivering the product will impact how the customers judge the level of service received
- ICT tools such as CRM
- CRM covers all methods & technologies used by companies to manage their relationships with customers & clients
- Effective CRM system helps org. to acquire customers, build closer relationships with them, provide better customer services, & hence retain valued customers
- CRM applications often track customer interests & requirements and buying habits

Physical Evidence

- A key aspect of service delivery are tangibles that accompanies the offer
- Appearance of the product itself & its packaging together with the surroundings in which it's marketed
- Customers take many cues to quality of a product from physical evidence that surrounds it
- E.g. Retail facility pays detailed attention to smells & sounds that comprise part of retail experience and the effect of lighting on mood & ambience
- In service encounters; appearance of staff is equally important

New Businesses & Business Models

Internet Pioneers

- They set up radically new types of business to exploit the benefits of new technology to do business in very different ways

Internet Pragmatists

- Firms that embraced the opportunities of the internet to enhance their existing business models
- Dell uses online models to enhance its direct marketing operations
- The difference between pioneers & pragmatists can be seen as the stage of diffusion at which they adopted the newer technologies
- The late majority of adopters are pragmatists, using technology to enhance existing business models rather than revolutionize them

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