

Lecture 4 - Strategic Marketing Decisions and Choices

(Researched Examples in blue)

Johnson and Scholes (1999) have three areas of strategic marketing management:

- Strategic Analysis
- Strategic Choices
- Strategic Implementation

Strategic Choices

Strategic choice involves generating a well-justified set of interrelated strategic alternatives and choose from them the ones that will contribute to the achievement of the corporate overall goals and strategic objectives

It answers the Where we want to be? part of the planning cycle

Strategic decisions at the corporate level

- Developing/re-stating mission statement
- Directional strategy
- Resource allocation

Strategic decisions at the SBU level

- Choosing Generic Strategy:

Cost leadership strategy, company works hard to achieve the lowest production and distribution costs. Low costs let it price lower than its competitors and win a large market share. Dell Computer, and Wal-Mart are leading practitioners of this strategy

Differentiation strategy, company concentrates on creating a highly differentiated product line and marketing program so that it comes across as the class leader in the industry. IBM an example in information technology products

Focus strategy. Focus strategies can also be implemented by differentiation strategists and cost strategists. Here the company focuses its effort on serving a few market segments well rather than going after the whole market. For example, Ritz-Carlton focuses on the top 5 percent of corporate and leisure travelers.

Strategic decisions at the functional level

- Products to offer
- Market segments to target
- Market position tactics

There are several types of directional strategies that can be taken:

Ansoffs Matrix of development (New/ Current Products v New/ Current Markets)

Market Penetration

Market Development

Product Development

Diversification

Growth strategies include concentration and diversification

Stability strategies promote profit development, with no change and caution

Lecture 8 - Strategic Services Decisions

Services

(Researched Examples in blue)

A service is an intangible product involving a deed, a performance or an effort that cannot be physically processed

There are Consumer services and also business services.

When classifying a service one must look at the:

- Type of market (consumer/ industrial)
- Degree of labour intensiveness (labour/ equipment)
- Degree of customer contact (high/ low)
- Skill of service provider (Professional/ non)
- Goal of service provider (profit/ non-profit)

Characteristics of services are that they are:

Intangible - before point of purchase they cannot be touched or felt but experienced

This therefore increases perceived risk. Marketers must find images aswell as physical evidence to enhance perceptions of the service quality. Use of marketing mix to help facilitate decision making

Perishable - cannot be stored

Essential to get cost and differentiation strategies right as service cant be stocked

Inseparable - cant have service without provider

Customers are co-producers/ designers

Service must be brought to consumer

Hard to lower price and hold image of quality

Heterogeneous - quality of service is dependant on provider

Difficult to differentiate as it is dependant on provider. Personnel must be standardised to provide high quality but this cannot be controlled. Consistency must be established, but should also be flexible to changes

Unowned - you cant own a service only provided

Increasingly firms are outsourcing many of the activities allowing them to focus on core competences

Examples Banks such as Barclays outsource their customer support services from overseas call centres for a cheaper cost

The extended marketing mix applies to only services:

- People

British Airways: Extensive recruitment procedure tests, Undergo training, International cabin crew with knowledge of language and culture

- Process

Structured process which attempts to make traveling procedure easy and efficient as well as safe

- Physical evidence (sensoral appearance of environment)

Uniform standards and appearance, logos, pleasant internal appearance of aircraft, different classes of travel

- Analysis of **customer service needs** - *identifying the market channels that can deliver appropriate value to customer*
- Defining **channel objectives and constraints** - *which segments should we serve and which channel to use for each*
- Identifying **key channel alternatives** - direct marketing, brokers, agents, whole sellers, retailers, e-commerce
- Evaluate alternatives - economic, control, level of flexibility

The integrated marketing effort model looks at both the marketing aspect and physical distribution efforts of marketing as a whole.

Marketing effort consists of obtaining demand - through marketing (4Ps)

Physical distribution effort consists of servicing demand which are the *logistics*

Logistics is the physical movement of goods down the distribution system it consists of:

- Order processing
- Warehousing
- Customer Service
- Stock management
- Transportation

It is the integrated approach to all the elements involved in moving products and services to the right place, in the right quantity and at the right time.

It can act as a competitive advantage if the system is efficient and customer service is valued.

Lean manufacturing is the need for efficient production

Just-in-time saves wasting of storage but resources and components are delivered and arrive when they are needed

Good customer service depends on:

- Order cycle time
- Consistency of cycle time
- Availability of product
- Order status information
- Flexibility to handle unusual variations
- Returns - damaged & surplus goods
- Response to emergencies
- Freedom from errors

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Progress must be measured against key performance indicators:

- Customer concerns, such as service quality, response time, cost
- Internal measures, staff productivity and range of skills
- Financial measures, revenue, profitability and costs
- Learning and growth measures, innovation such as rate of new product development, availability of staff training

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