Your road to success

LEVEL 6 STRATEGIC MARKETING

abeuk.com

ISBN: 978-1-911550-41-9

First published in 2017 by ABE
5th Floor, CI Tower, St. Georges Square, New Malden, Surrey, KT3 4TE, UK
www.abeuk.com

All facts are correct at time of publication.

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Editorial and project management by Haremi Ltd.
Typesetting by York Publishing Solutions Pvt. Ltd., INDIA

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Contents

Using your study guide

Welcome to the study guide for **Level 6 Strategic Marketing**, designed to support those completing their ABE Level 6 Diploma.

Below is an overview of the elements of learning and related key capabilities (taken from the published syllabus).

Element of learning	Key capabilities
Element 1: Understanding market-led strategic management	• Critical understanding of the role of strategic marketing in the achievement of business objectives and organisational success *Commercial awareness, cultural awareness, globalisation*
Element 2: Designing market-driven strategies	• Ability to analyse the macro-environment to support the development of a strategic vision • Ability to carry out market segmentation and competitive positioning activities at a strategic level *Leadership, managerial capacity, decision-making, communication, project planning, strategy development, objective setting, use and analysis of data*
Element 3: Measuring the impact of marketing strategy	• Ability to measure the impact of a marketing strategy based on the implementation of planning and controls *Planning and objective setting, milestones, monitoring and control*
Element 4: Creating sustainable competitive advantage	• Ability to justify the use of marketing as a strategic activity with the aim of achieving sustainable competitive advantage • Ability to analyse and select appropriate approaches to implementing the marketing plan *Judgement, ability to synthesise complex data, risk management, persuasion and negotiation*
Element 5: Implementing the strategy	• Ability to identify challenges to the implementation of a marketing strategy and to the future of strategic marketing *Communicate business solutions and the thinking underlying them, in verbal and written form*

L6 descriptor

Knowledge descriptor (the holder…)	Skills descriptor (the holder can…)
• Has advanced practical, conceptual or technological knowledge and understanding of a subject or field of work to create ways forward in contexts where there are many interacting factors. • Understands different perspectives, approaches or schools of thought and the theories that underpin them. • Can critically analyse, interpret and evaluate complex information, concepts and ideas.	• Determine, refine, adapt and use appropriate methods and advanced cognitive and practical skills to address problems that have limited definition and involve many interacting factors. • Use and, where appropriate, design relevant research and development to inform actions. • Evaluate actions, methods and results and their implications

The study guide includes a number of features to enhance your studies:

- **'Over to you':** activities for you to complete, using the space provided.
- **Case studies**: realistic business scenarios to reinforce and test your understanding of what you have read.
- **'Revision on the go':** use your phone camera to capture these key pieces of learning, then save them on your phone to use as revision notes.
- **'Need to know':** key pieces of information that are highlighted in the text.
- **Examples:** illustrating points made in the text to show how it works in practice.
- **Tables, graphs and charts:** to bring data to life.
- **Reading list:** identifying resources for further study, including Emerald articles (which will be available in your online student resources).
- **Source/quotation** information to cast further light on the subject from industry sources.
- **Highlighted words** throughout denoting **glossary terms** located at the end of the study guide.

Note

Website addresses current as at November 2017.

Introduction

In today's increasingly dynamic and complex global environment, strategic marketing is an essential management and leadership competence for guiding senior management in making business decisions. This study guide will illustrate the scope of marketing strategy and how it fits in with the wider corporate and business strategy of an organisation, including building sustainable **competitive advantage** and long-term shareholder value.

The purpose of this study guide is to evaluate the role of strategic marketing as a function of an organisation, evaluate how it interrelates with other functions, and determine its impact in terms of how a marketing philosophy can inform corporate strategy. The guide will also focus on how marketing performs an operational role in achieving corporate objectives. It will give you a strategic perspective of marketing management with respect to the analysis, planning, **implementation** and control of marketing activities. This includes the use of metrics to measure, monitor and improve performance in addition to their role within strategic decision-making.

Given the global nature of business, this study guide will also promote a critical understanding of the marketing challenges faced by firms attempting to develop and grow in international markets and the means by which corporate marketing strategies can be deployed in the search for sustainable competitive advantage.

Some of the activities in this study guide ask you to draw on your own working experiences. If you have none, you can reflect on other types of organisations with which you are involved, such as clubs – or you can ask a friend or family member about their working experiences.

Finally, owing to its subject-matter this study guide makes reference to many different brands, some of which may be more globally recognised than others. If you are unfamiliar with a brand mentioned here, perform a quick search online to find out more.

Chapter 1

Understanding Market-Led Strategic Management

Introduction

To understand strategic marketing, you must first understand what underpins all of the key strategic decisions an organisation makes. You will need to think from the organisation's perspective and identify what their considerations would be in approaching the development of this strategy. You will need to have a clear idea of what they aim to achieve with any strategic decisions.

You will need to think about all the key factors involved in building a strategy, considering the capabilities and developing capacity of the organisation. You will need a clear idea of the needs and objectives which tie together all of the relevant parties involved in strategic decision-making. In this chapter, we'll start by evaluating the main reasons why organisations take certain strategic decisions, and the key factors involved in any strategic activities.

Learning outcome

On completing the chapter, you will be able to:

1 **Critically evaluate the factors that underpin marketing as a key strategic factor in organisational performance**

Assessment criteria

1 **Critically evaluate the factors that underpin marketing as a key strategic factor in organisational performance**

1.1 Evaluate the ideas underpinning a market-orientation approach and the marketing concept

1.2 Appraise the characteristics of market-driven strategies

1.1 The ideas underpinning a market-orientation approach and the marketing concept

Marketing activity requires an effective overarching strategy in order to build on, test and improve **activations** to meet each organisation's objectives.

To build an effective marketing strategy, it's important to establish what we mean when we talk about "marketing".

Defining marketing

Marketing is a broad and varied **business function**, and there is no single definition that encompasses it. As marketing covers so many specific actions, tasks and goals, it's helpful to consider definitions of marketing from different viewpoints.

For example, there are principle-driven definitions of marketing, such as:

> *"The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return."*
>
> *Kotler and Armstrong (2010)*[1]

There are action-driven definitions of marketing, such as:

> *"The management process for identifying, anticipating and satisfying customer requirements profitably."*
>
> *Chartered Institute of Marketing (2015)*[2]

There are goal-driven definitions of marketing, such as:

> *"The process or technique of promoting, selling, and distributing a product or service."*
>
> *Merriam-Webster (2017)*[3]

1 Kotler, P. and Armstrong, G. (2010), *Principles of Marketing*. New Jersey: Pearson Education
2 CIM (2015), *A brief summary of marketing and how it works* [online] Retrieved from: https://www.cim.co.uk/files/7ps.pdf [Accessed on: 01 October 2017]
3 Merriam-Webster Dictionary (2017), *Marketing* [online]. Retrieved from: https://www.merriam-webster.com/dictionary/marketing [Accessed on: 01 October 2017]

OVER TO YOU

Activity 1: Defining marketing

In your own words write some definitions of marketing. Try to think from different perspectives, including principle-, action- and goal-driven.

Here are some to get you started:

Marketing is … the action or business of promoting and selling products or services.

Marketing is … the building of a relationship between a company, a product, and a consumer.

Marketing is … putting the right product in the right place, in front of the right people, at the right price, at the right time.

Marketing is …

Marketing is …

Marketing is …

Identifying customer needs

Marketing can also be defined as follows:

1. The customer has a problem.
2. The business creates a product to solve that problem.
3. Marketing tells the customer that this product solves their problem, encouraging them to make a purchase.

Based on this definition, identifying customer needs is central to strategic marketing. This is a more **transactional** definition of marketing. Strategic marketing is based upon discovering customer needs, and then building a marketing plan that:

- addresses those needs;
- shows the customer that those needs have been addressed.

CASE STUDY: THE CUSTOMER'S NEEDS IN ACTION

1. Rita needs to buy a new school uniform for her daughter before school starts, but she has a limited budget and can't travel to buy it.
2. Uniformal Ltd sells school uniforms and has special offers before the back-to-school season.
3. Uniformal runs a promotion using locally targeted social media and newspaper advertising to tell Rita that they have a discount on in the month before school starts, available in a store near her home or online.

Customer needs can be identified through:

- primary and secondary market research;
- conversations with customers;
- evaluation of competitors;
- analysis of response to products and campaigns;
- defining target **market segments**.

Customer needs are a key factor in identifying market segments to target through relevant and appropriate marketing.

Segmentation is the process by which marketers are able to break down large groups of potential consumers into smaller groups defined by shared characteristics. This allows them to target this group with strategic marketing designed to appeal to their unique needs. This is discussed in more detail later in this chapter.

Segmentation for consumer markets is based around finding consistency in shared characteristics, meaning that a marketer is able to make specific assumptions about a group of people that will help inform how the marketer engages with that group and encourages them to purchase. This is discussed in more detail later in this chapter.

Creating a differential advantage

Once a marketer has identified the customer segment and their unique needs, they are able to use this information to offer a **differential advantage**. The key here is that the differential advantage must be one that:

- responds to the customer needs;
- is targeted towards the market segment.

The differential advantage must communicate that the organisation is able to offer a product or service that fulfils the customer's requirements better than any other product or service available. Table 1 summarises the different aspects that the differential advantage can incorporate.

Product	Additional features, functionality, upgrades or add-ons
Pricing	Lower or premium pricing, or offers
Promotion	Persuasive sales or advertising
Brand	**Aesthetic** or associative image
Distribution	Stocked in desirable or convenient locations

Table 1: Differential advantage

REVISION on the go

However an organisation chooses to differentiate, it must be certain that the advantages it has chosen to focus on or augment are in line with what the chosen segment needs or wants.

The marketing mix

The **marketing mix** is the basis of any marketing plan. It is the foundation upon which a marketer sets out their plan for the tools and activities an organisation will use to meet their objectives.

An effective marketing mix must be based on a combination of what the marketer knows about consumer needs and their behaviour, and what the marketer knows about the organisation and the product they are selling.

There are simple recognised **frameworks** in place for creating an effective marketing mix.

- For marketing products, we use **The Four Ps**. These are: *Product, Price, Place* and *Promotion.*
- For marketing services, we add an additional three factors to create **The Seven Ps**. These are: *People, Process and Physical Evidence.*

1 Product	What is being sold?	The product must: • meet the customer's need; • be distinguishable from alternative products; • have the ability to be produced consistently.
2 Price	How much is it being sold for?	Pricing models should reflect: • the target segment's ability and willingness to pay a certain price; • the costs required to produce and sell the product; • the perceived value and positioning of the product.

3 Place	Where is it sold?	The distribution of the product should take into account: • the cost and logistics of storage and shipping; • any affiliated costs by third party or middleman sales; • the perception of any sales locations; • the requirement for testing or education.
4 Promotion	How do customers find out about it?	Promotional channels should be chosen based on: • budget and resources; brand perception and image; where the target market is active; • messaging that matches the channel.

Table 2: The Four Ps of marketing

+

5 People	Who will be providing the service?	Ensure that staff are a marketing asset by: • finding experts with complimentary, relevant skillsets; • investing in training and **accreditation** where viable.
6 Process	What are the inputs and outputs to provide the service?	Define a clear, efficient and trustworthy service including: • technology and automation where required; • account management and customer service that keeps clients informed; • a sales communication process that instils trust.
7 Physical evidence	What environment is the service within?	The setting where the consumer purchases the produce must enhance the offering through: • a favourable layout, ambience and cleanliness; • staff uniforms and behaviours; • thoughtful and relevant facilities and features; • appropriate **branding** and identity.

Table 3: The Seven Ps of marketing

When using these frameworks to create a marketing mix it's important to note that:

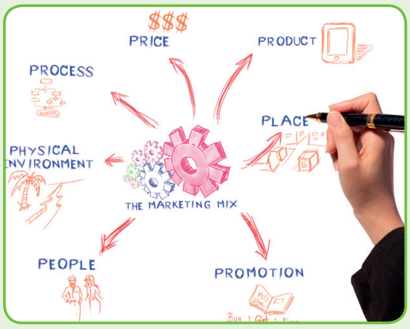
- they are intersecting ingredients – there is no specific or required order;
- some are more important than others, depending on the industry;
- an effective marketing mix is constantly evolving to keep up with the requirements, environment and the demands of the customer.

CASE STUDY: CREATING A MARKETING MIX

Ken needs to create a marketing mix for his online tutoring business, aimed at students in their final year of school.

He needs to think about the wants and needs of the target segment, what his differential advantage might be, and what each of the Four Ps should be.

This is what he comes up with in the first stages of creating a marketing mix:



Need	Extra help with school work
Segment	Students in Singapore who don't have time or money for private tutoring
Differential advantage	High-level educational content at a low price
Product	Great design to appeal to students
Price	Low cost monthly payments
Place	Advertised and sold online
Promotion	Social media led

As you can see from the above case study, the elements of the mix are closely related to the customer's needs, market segment and differential advantage. It's therefore important to follow a strategic path when you embark on evaluating a possible marketing mix.

OVER TO YOU

Activity 2: Creating a strategic marketing mix

Based on the above case study, complete the following table to show the first stages of evaluating a possible marketing mix for two sample products or organisations you're interested in or have recently come into contact with.

Try to choose examples in different segments in order to reflect on how the market segment impacts decisions in the marketing mix.

Organisation	
Consumer need	
Segment	
Differential advantage	
Product	
Price	
Place	
Promotion	

Organisation	
Consumer need	
Segment	
Differential advantage	
Product	
Price	
Place	
Promotion	

Stakeholders and their influence on marketing strategy

A customer's needs and profile are a central part of any marketing strategy, but there are other key relationships that come into play when building a plan.

A **stakeholder** is defined as:

> *"A person, group of people or an organisation with an interest or concern in something, especially a business … denoting a type of organisation or system in which all the members or participants are seen as having an interest in its success."*
>
> *Oxford Dictionaries*[4]

When parties have an interest in the success of an organisation, they will be more likely to have, or attempt to have, some kind of input into developing the strategies that drive the organisation's mission and purpose. It is vital therefore that the marketing function takes into account the influence of stakeholders when building and implementing strategic marketing practices.

4 Oxford Dictionaries (n.d.), *Stakeholder* [online]. Retrieved from: https://en.oxforddictionaries.com/definition/stakeholder [Accessed on: 23 November 2017]

The table below shows three key categories of stakeholders.

1 Internal stakeholders	Directors Managers Employees	Typically these are members of the organisation, involved in the day-to-day running and decision-making.
2 External stakeholders	Governments Pressure groups Media Local communities Unions Professional bodies Competition	These stakeholders are connected more broadly to the organisation – indirectly and informally – but still with some legitimate interest in its success and operations.
3 Connected stakeholders	Company shareholders Suppliers Customers Distributors	These stakeholders are connected to the organisation through contracts or economics.

Table 4: The three key categories of stakeholders

REVISION on the go

OVER TO YOU

Activity 3: Stakeholder influence

1 From the list above, choose an example of a stakeholder from each category.
2 For each stakeholder example, list two or three bullet points on their interest in the organisation's strategy.
3 List two or three bullet points on their influence over the organisation's strategy.

For example:

Internal employees

- *They rely on the organisation to make money in order to pay their wages.*
- *They require a healthy and safe work environment.*
- *They can add value through completing the work assigned to them.*
- *They can upskill to increase value in required areas of the business.*
- *They can give insight into their unique area of the business.*

External governments

- *They require on-time reporting on tax and finances.*
- *A successful organisation contributes to a healthy economy.*

- *They can change taxes and fees, making parts of the organisation more or less profitable or feasible.*
- *They can change regulations that impact the organisation and the way it is presented.*
- *They can provide education and support.*

Connected shareholders

- *They would like a return on investment.*
- *They can build a good reputation by involvement in companies deemed successful.*
- *They can offer advice and expertise.*
- *They have voting power and can collectively hire and fire team members.*
- *They can leave and sell shares at any time if they don't like how things are being done.*

Stakeholder influences on an organisation

Stakeholder mapping is an important tool for keeping track of the many stakeholders an organisation has. It helps ensure that stakeholder interests are considered when building strategies, creating mission statements and driving the organisation's purpose.

To create a useful stakeholder map, an organisation must first be aware of all of the internal, external and connected stakeholders, and must consider both the influence they have over and expectations they have of market strategies.

Mendelow (1991)[5] created a renowned **stakeholder mapping model** (see Figure 1) to help identify which stakeholders are the priority to please. This model maps all stakeholders on a matrix with axes referring to power and interest.

- **Power**: this is the ability of a stakeholder to influence the organisation. For example: the ability to strike, resign or interrupt trading; the ability to take legal action; the ability to change prices.
- **Interest**: this is the level of interest a stakeholder has in using their influence within the organisation. For example: legal reasons; brand reasons; financial reasons.

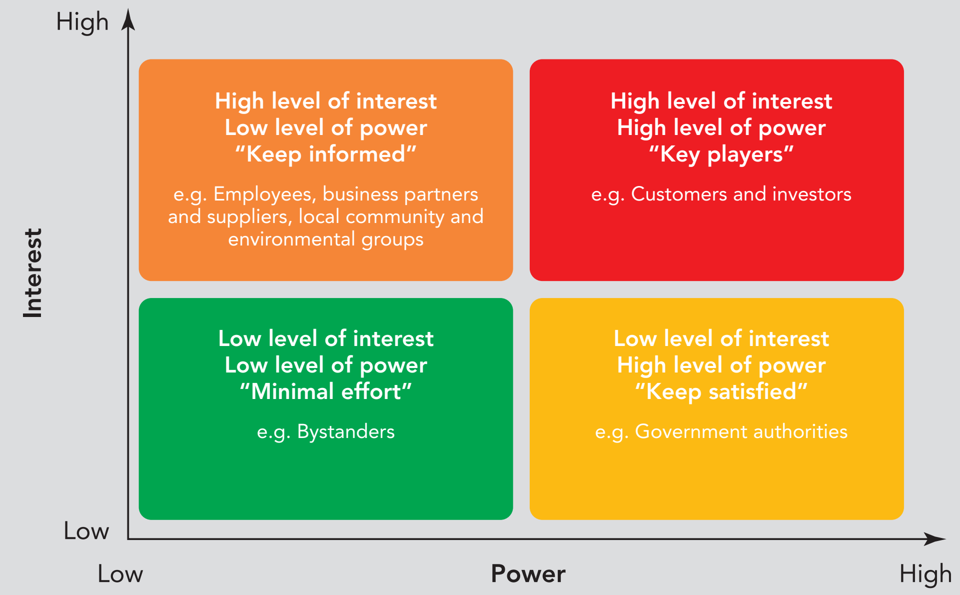


Figure 1: The Mendelow stakeholder mapping model

! NEED TO KNOW

Stakeholder mapping is particularly important when maintaining relationships with market stakeholders – those with a direct impact on and interest in the marketplace strategies of the business and its profitability or success. This typically includes both internal and connected stakeholders.

5 Mendelow, A. (1991), "Stakeholder mapping", *Proceedings of the 2nd International Conference on Information Systems.* Cambridge, MA

The role of marketing within strategic management and corporate objectives

Once the perspectives of all stakeholders have been analysed and mapped, an organisation must work towards a purpose and objectives that satisfy the stakeholders' requirements and desires. This is done by creating a strategy that incorporates key business functions, including marketing.

The management process

The **management process** consists of four key functions:

- planning and decision-making
- organising
- leading
- controlling

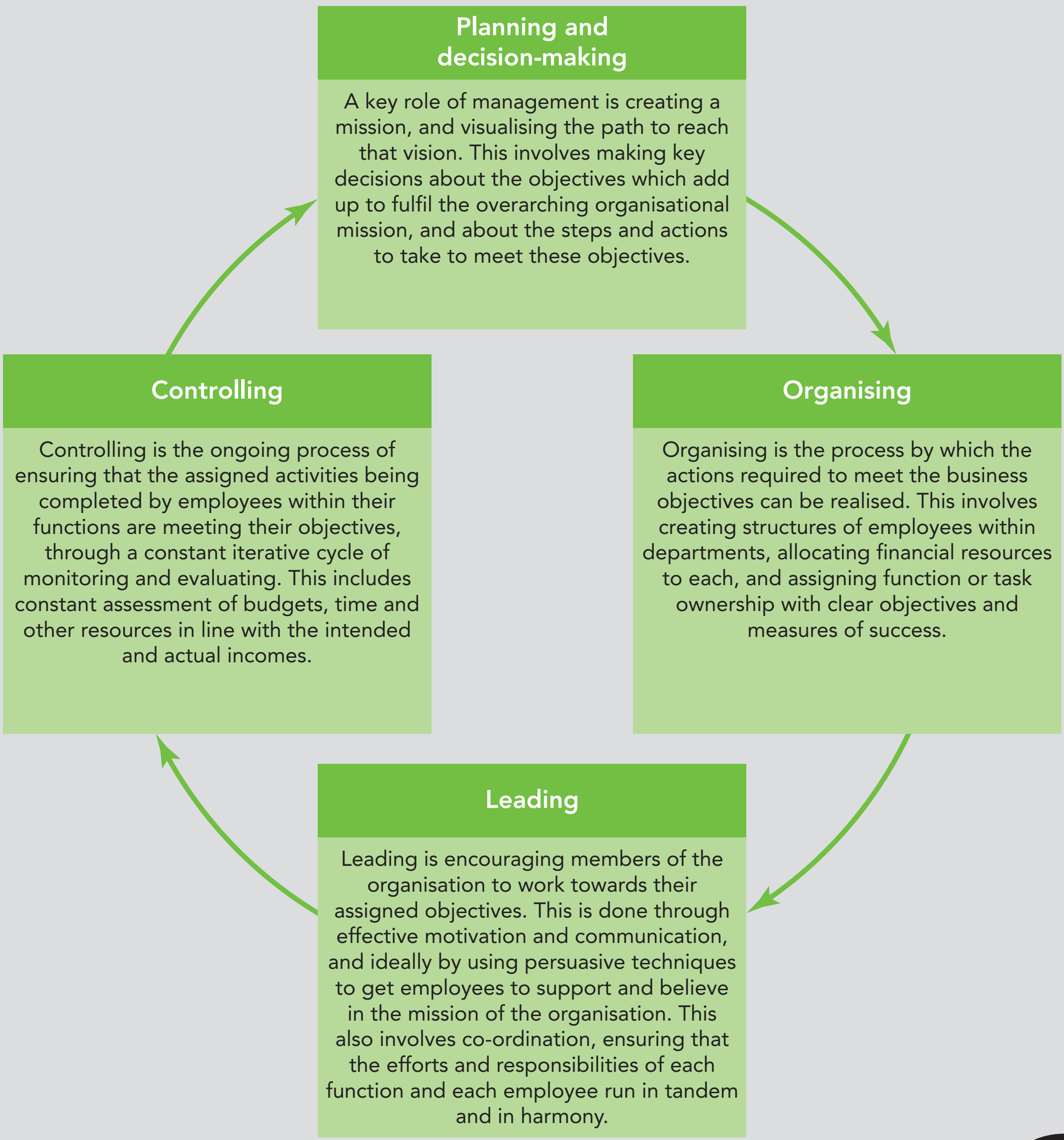


Figure 2: The management process

OVER TO YOU

Activity 4: The management process

Consider a local organisation you have recently come into contact with and write down the key tasks someone in a management position within it must undertake.
List three or four tasks for each of the functions of the management process.

Marketing's place in the management process

Marketing's role within the management process is dependent on the decisions made about factors including objectives, activities, budgets and resources, and it must continually perform in line with expectations.

Marketing is typically considered a central part of any business as it is so closely connected to sales and profits, and therefore many aspects of the management function relate to the marketing function and performance.

Defining strategy

Strategy can be defined as:

> *a careful plan or method ... the art of devising or employing plans toward a goal.*
>
> *Merriam-Webster (2017)*[6]

6 Merriam-Webster dictionary (2017), *Strategy* [online]. Retrieved from: https://www.merriam-webster.com/dictionary/strategy [Accessed on: 01 October 2017]

To expand this further, strategy can also be defined as:

> *the direction and scope of an organisation over the long term: which achieves advantage for the organisation through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholder expectations.*
>
> *Johnson, Scholes and Whittington (2007)*[7]

Strategy can be further broken down into the following elements:

- **Strategic planning:** the organisation establishes its goals, and chooses the route to get there based on the available resources.
- **Strategic management**: this involves using the four key functions of management to identify, define and maintain a strategic vision.
- **Strategic analysis**: the organisation decides on its overall mission – why does it exist? What is it trying to achieve? It will need to examine the context within which it operates, and what all of the strategic objectives contribute towards.
- **Strategic choice**: based on an assessment of the organisation's environment and mission, the demands of the stakeholders, available resources and any clear opportunities or limitations, the organisation establishes a menu of strategic choices in objectives and activities to combine and decide between.
- **Strategic implementation**: the organisation bases its long-, medium- and short-term goals on the analysis and choices available. These are then managed by specific business functions and employees with allocated budgets and timeframes.

For any strategy to be deemed successful, it must have clearly defined and measurable results. While any measures of success will depend on the unique business objectives, for marketers, these will usually include a combination of the following:

- awareness and **brand recall**;
- number of sales or sign-ups;
- retention or upgrade of existing customers;
- positive **brand sentiment**;
- customer and product satisfaction.

1.2 The characteristics of market-driven strategies

Market-driven strategies

Depending on the analysis and choices made by strategic management, the focus and role of the marketing function will be established.

Market-driven strategy defines an organisation that bases its purpose and objectives on the needs of the customer and the market they exist within. The organisation then uses this as the basis for all strategic decisions and activities. A market-driven organisation is based upon a match between what the customer wants and what the organisation is capable of providing.

7 Johnson, G. Scholes, K. and Whittington, R. (2007), *Exploring Corporate Strategy*, 8th edition. Harlow: Financial Times/ Prentice Hall

A market-driven organisation is characterised by:

- basing product development decisions on customer needs and problems;
- staying aware of and adapting to changing trends in the market and landscape;
- using market research techniques to stay aware of the market and customers;
- choosing specific markets to target and basing strategies around these specific needs.

CASE STUDY: AN ORGANISATION WITH A MARKET-DRIVEN STRATEGY

The problem

Josef runs a travel agency that sells off cheap travel deals at short notice. Despite the relatively cheap cost for the consumer, Josef is finding that certain holiday packages are not selling in quantities required to justify the investment in staff and marketing.

Evaluating the causes

Josef introduces a search tool on his website, as well as analytics tracking. He is able to see the search volume for different destinations, and discovers that certain packages are popular customer searches, but these are simply not available on his site.

Finding a solution

Josef approaches his partners and actively seeks the most popular packages to sell on his website. He starts to catalogue the most popular search terms to gauge demand for certain packages and destinations, and markets them accordingly.

Becoming a market-driven organisation

After realising the value of his data in the website's search terms, Josef adapts his strategy to be one that entirely reflects his customers' needs. He now uses monthly search data to choose which packages to organise, market and sell at the times these destinations are most desired by customers. This approach has led to more targeted marketing and a significant increase in sales and retention.

NEED TO KNOW

Due to the nature of market-driven business strategies, marketing will be at the centre of those including research, product development, promotion, sales and retention. However, there are a variety of different marketing approaches that can be taken within a market-driven management and business strategy.

REVISION on the go

Different market strategies

There are many different marketing approaches that can be encompassed within a market-driven strategy to achieve **dominance**, depending on the relationship the strategy has with the market and whether the focus is placed on the needs or the market.

This includes:

- market leaders
- market challengers
- market nichers
- market followers

Strategies for market leaders

The market leader is typically dominant in its industry – innovative, widely distributed, renowned, holding significant market share.

The strategies central to developing and maintaining market leader status include:
- increasing market size with new users and new use cases;
- accelerating usage and optimising for retention;
- improving distribution or increasing distribution channels;
- enhancing product with new or improved features.

Strategies for market nichers

The market nicher has a strong and focused hold over a very specific and carefully targeted market segment, tailoring all elements of their marketing mix to meet this consumer segment's needs.

Market nicher strategies will usually involve:
- a focus on high margins rather than high sales volumes;
- iterating product and designing promotions to please select segment requirements;
- continuing to be considered as a specialist or expert.

Strategies for market challengers

Market challengers are in a strong position in their specific industry, but are not yet dominant. Their strategies will be aggressively targeting increased market share, typically by going after industry leaders one-by-one in directly targeted attacks on their weaknesses.

Key opportunities for market challengers include:
- discounting and price-cutting;
- improving product quality or service;
- key modernising and updating to product or service;
- new distribution channels;
- trend, brand or promotional focus;
- introducing a new product to solve the same problem.

Strategies for market followers

Market followers are not usually dominant in their industry, but are instead secure, occupying a consistent position. They are typically in a "safe" position, able to adapt based on the actions a market leader would take but without the risks associated with leading, including high development costs and risk of attack.

Strategies for market followers include:
- promotions based on wins or capitalising on awareness of market leaders;
- product development based on the successes and failures of market leader experiments and launches;
- brand, pricing and distribution channels emulating those used by the market leader.

Figure 3: Different market strategies

OVER TO YOU

Activity 5: Understanding market strategies

Write a list of benefits and disadvantages for each of the market strategies listed above.

Strategies for market leaders	Strategies for market nichers
Benefits	Benefits

Disadvantages	Disadvantages
Strategies for market challengers	**Strategies for market followers**
Benefits	Benefits
Disadvantages	Disadvantages

The Three Cs of marketing strategy

The Three Cs is the name for the marketing model that incorporates the three key factors which are the basis for any successful marketing strategy: *Customer*, *Company* and *Competitor*.

These factors are dynamic and dependent on each other, and must all be addressed and balanced to create an effective marketing strategy that will lead to a competitive advantage.

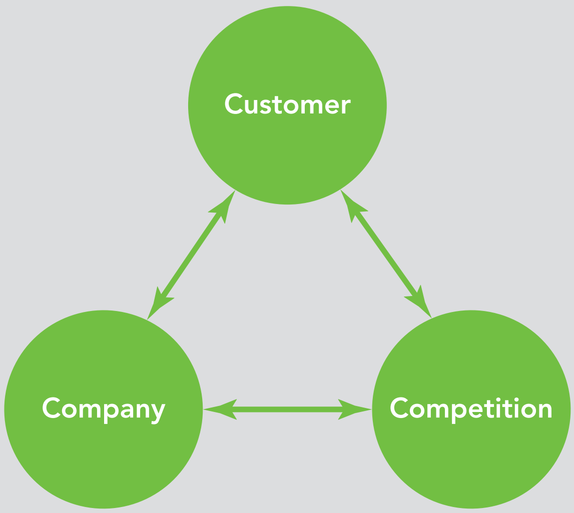


Figure 4: The Three Cs of marketing

Customer

As we've already seen, the customer is at the heart of any organisation with a marketing orientation. When considering its relationship to the customer, a strategy must encompass:

- problems, needs, wants
- buying motives
- decision-making factors
- key segments
- purchase ability

Company

An awareness of the company's strengths and weaknesses is required to define and select key focus areas, and how they will respond and provide solutions to the customer's defined needs. This will incorporate:

- resources
- staff
- production
- location
- brand and image

Competitor

This means assessing the existing or potential market and focusing efforts on where there is a clear or perceived gap in product or service in relation to the customer's defined needs. This can include:

- design
- brand and image
- service
- product
- distribution

! NEED TO KNOW

The Three Cs are often viewed as a "strategic triangle", due to the co-dependent nature of these three factors. This theory was created by Japanese strategy guru Kenichi Ohmae[8], who argued that the three factors must be in balance to create an effective marketing strategy.

REVISION on the go

Porter's Generic Strategy

Porter's Generic Strategy[9] suggests that there are two key ways for an organisation to maintain a competitive advantage in its industry. According to this model, securing a distinct competitive advantage is the most important factor in establishing and maintaining profitability.

The two types of competitive advantage an organisation can aim for are:

- cost leadership
- differentiation

8 Ohmae, K. (1991), *The Mind of the Strategist: The Art of Japanese Business*, revised edition. McGraw-Hill
9 Porter, M. E. (1985), *Competitive Advantage*. New York: The Free Press

Based on these advantageous factors, there are three generic strategies that organisations can implement which will allow them to achieve some level of significant performance in their industry, as shown in Table 5.

1 Cost leadership	2 Differentiation	3 Focus
The generic strategy of cost leadership comes from an organisation being the lowest cost producer and seller in its industry. This can include low cost distribution, access to materials, resources, production or staff, or automation or technology to reduce cost. If an organisation is able to manufacture or create its product or service for a low cost and to reasonably sell it at the industry average, it is able to maintain an advantageous position within its industry in terms of profitability.	The generic strategy of differentiation is based upon an organisation successfully establishing unique features that are desired or required by its customers. Due to this specialism in the industry, the organisation is able to command premium prices, and therefore maintains an advantageous position within its industry in terms of profitability.	There are two generic strategies derived from focus as a point of competitive advantage, based upon cost leadership and differentiation. Both of these involve an organisation narrowly focusing on a specific segment and building a strategy that appeals directly to that segment. This segment may have specific needs or characteristics that make them the most relevant for a focus-led strategy. • **Cost focus:** An organisation finds a cost advantage built to appeal to a specific segment. • **Differentiation focus**: An organisation builds differentiated features to appeal to a specific segment.

Table 5: Porter's Generic Strategy

Organisational capabilities

Before an organisation can undertake any strategic planning or activation, there must be a clear assessment of the organisation's business advantage, which is understood by evaluating the capacity of the organisation.

There may be a preferable **route to market** that the organisation wants to take, but that route has no value unless it has been aligned with the organisation's clearly defined capabilities. These are known as capability-based strategies and they are determined by the resources that are available to the organisation to create their competitive advantage.

Identifying the organisation's relative strengths and weaknesses

To establish which resources an organisation has to contribute to its capabilities and therefore devise an effective strategy, it must assess its key strengths and weaknesses. The assessment must focus on maximising the potential opportunities and minimising the potential threats as a result of these.

The simplest method of assessing an organisation's strengths and weaknesses is to carry out a SWOT analysis. SWOT is a model that analyses key factors in a business to create a solid foundation for strategic marketing, allowing marketers to collect, present and analyse data in a logical, sharable format.

SWOT stands for:

S Strengths

W Weaknesses

O Opportunities

T Threats

Generally, the strengths and weaknesses are internal factors, and the opportunities and threats are more external in nature. These are expanded on in Table 6.

	Definition	Examples
Strengths	Positive internal factors within the control of the organisation (usually in the present) that set the company up for success. These factors are also known as assets.	General resources or market edge including unique services or products, skilled team, high-level suitable equipment, technology and premises, favourable location, adequate budget and other resources.
Weaknesses	Negative internal factors within the control of the organisation (usually in the present) that detract from the potential for success or value.	General lack of required specialist expertise or human, time or financial resources, including equipment, technology, location, skills, regulatory requirements and sub-standard or outdated services or products.
Opportunities	External factors that the organisation has little or no control over which are encouraging for the company and provides motivation for the organisation to strive for success.	Usually relating to a product or service's place in the market, consumer trends and behaviour, favourable timing, cheap access to materials, good relationships with suppliers and partners, general market trends and growth.
Threats	External factors that the organisation has little control over, but that have the potential to place the organisation at risk.	Competitors, legal changes to trade deals or regulations, supplier or partner actions including price increases or ending agreements, economic downturns, negative press or consumer perception for the company or industry.

Table 6: A more detailed look at SWOT

The key areas a SWOT analysis should focus on to contribute to a successful market strategy include:

- managerial
- marketing
- financial
- technical

To establish key organisational capabilities, the SWOT analysis should primarily consider an organisation's:

- **Resources**: the assets an organisation can call upon (i.e. what the team have to use).
- **Competencies**: what the organisation "does" well (i.e. the skills and activities of the team).

The Five Ms model

Assessing the internal structure of any organisation can be done using the Five Ms model of business management. This model breaks down the key components that need to be assessed, and within each of these there is scope to complete an analysis to identify key factors impacting strategic decisions.

The Five Ms model incorporates the following:

Men →	Workforce →	The right amount of staff with the right skills and knowledge
Money →	Finances →	Appropriate budget assigned efficiently
Machinery →	Equipment →	Most up-to-date and relevant tools, software, etc.
Minutes →	Time →	Viable timelines in line with expectations and market
Materials →	Production elements →	Most appropriate and cost-effective materials with the best-matched suppliers

Figure 5: The Five Ms model

Identifying the skills and collective learning within an organisation

An effective strategy is based upon maximising an organisation's available competencies towards reaching and maintaining a defined competitive advantage. The skills of the available team are therefore central to this and are key assets to be included in the strategy. It's important to understand:

- which skills and learning are **readily available** within the organisation to maximise and leverage these to reach the competitive advantage;
- which skills are **lacking** within the organisation that require additional training or staff to be able to maintain the competitive advantage.

This is the information chain that must be established to assess collective learning needs within an organisation:

1 The objectives of the organisation.
2 The activities required to meet these objectives.
3 The skills, tools or knowledge required to undertake these activities.
4 The latest method of acquiring or managing these skills, tools or knowledge.

In some cases, additional training may be required; for example:

- when an organisation is modernising and needs to use new technology;
- with a skilled team who are taking on new responsibilities to increase **market size**;
- after the introduction of new laws or regulations.

CASE STUDY: IDENTIFYING AN ORGANISATION'S SKILLS

Kiran works for a gardening agency, providing gardeners for private and corporate clients around Jaipur. The organisation is going through a big period of change after merging with another organisation, and has a larger budget for marketing.

Kiran must carry out a skills audit to establish where the key skills are in the organisation, and where they are lacking, so he can ensure that they have the key capabilities in-house to fulfil the requirements of the strategy.

Here are the steps Kiran takes to complete a skills audit of the organisation.

1 List the skills required to complete each part of the strategy.
2 Create a survey for the workforce to complete about their skills and goals.
3 Analyse data against the strategy.
4 Make a plan for training or new hires to ensure any skill shortage is met.
5 Align skills with roles in line with the new strategy.
6 Use organisational processes to deploy assets in the marketplace.

For any strategy to be achieved, it must involve a tactical arrangement and deployment of the organisation's assets towards the organisation's missions, or organisational delivery mechanisms.

An organisation's assets include anything that produces value for an organisation. These can include tangible and intangible assets.

- **Tangible assets include**: property, materials, equipment, inventory, cash and funds, stocks.
- **Intangible assets include**: rights, licences and contracts, databases, brand names, formulas, relationships.

Staff are counted as assets because of the value they bring to the organisation through their skills, knowledge and expertise.

To ensure an efficient use of the organisation's resources, an asset management plan must be created.

Asset management plan

An asset management plan is a tactical plan that arranges and organises the organisation so it is best able to meet its goals. The aim of the plan is to create a useful system or process to help the organisation reach its goals. For example:

- **How are the assets currently performing?** This is an audit of existing assets, and how effective they are at their required tasks.
- **What assets are required for the planned activities?** Does the organisation already have these? Are any further assets required?
- **What is the cost of these assets?** The short-term costs of purchase or upgrade, the mid-term costs for maintenance, and any estimated future costs.
- **Is the cost of these assets justifiable?** Are the costs outweighed or equalled by the advantages of the assets?

OVER TO YOU

Activity 6: Asset management plan

Using the example of an organisation you've come into contact with recently, create a list of the likely tangible and intangible assets they have.

Tangible assets:

Intangible assets:

Evaluating levels of investment available

To effectively leverage the resources and competencies towards an organisation's capability, adequate financial investment is required. However, that investment must be justifiable against the potential and probable returns it could achieve.

Before any investment is made, there must be an assessment of the business funds available. This can include funds available from:

- previous profits
- seed capital
- investment and **crowdfunding**

When assessing which funds are available it's important to take into account:

- organisational running costs including premises, salaries;
- equipment and materials required to keep the company running;
- tax outgoings.

Once the organisation has calculated the annual cost of this expenditure against the finances available, it can allocate investment in strategic marketing and growth activities.

When allocating financial investment to strategic marketing, the organisation must define the metric by which it will measure the success of the marketing activity. The metric could be:

- **Cost per sale**: viewing each transaction by each customer as unique.
- **Cost per acquisition**: cost for acquiring a customer rather than making a sale, taking into account a customer's LTV (lifetime value).

Based on the profit you can potentially make from each sale or customer, you can calculate how many sales you'll need to make to justify your investment.

While the cost can be broken down by which strategic activities have contributed to a specific conversion or action, you must also consider the overall cost including a blended figure that encompasses the full investment in this specific strategy, including training and skills, equipment and materials, and more.

The investment for any strategy must be justified based on the forecasted results of the activity it funds – for example, ensuring that any money spent leads to sales or other financial return based upon strategic objectives and activities.

! NEED TO KNOW

Depending on the source of the business funds available for the organisational strategy, a return on investment may not be required immediately. An organisation running on third-party investment may have enough **financial runway** to build brand or audience before aggressively pursuing immediate sales, whereas an organisation running only on its profits is required to make continuous sales.

REVISION on the go

Identifying potential means to best leverage the organisation's capabilities

Dependent on the organisation's capabilities, there are different approaches that a strategy can take to enhance these resources and capabilities to increase competitive advantage.

The key processes to leveraging the organisation's capabilities are:

- **benchmarking**
- value chain and value networks
- activity systems

Using these processes enables an organisation to establish how best to leverage its capabilities, including:

- its most significant assets;
- which assets to invest in;
- knowledge and skills of the team;
- skills and training required;
- potential financial investment available;
- expected returns on the investment.

Competitive analysis

Any marketing strategy must include a critical awareness of the competitor landscape. This incorporates who the competitors are, what their plans are and how effectively they are achieving these now and their potential to achieve them in the future.

Identifying an organisation's competitors

Competitors might include:

- other organisations providing the same or similar goods or services, which can make those sold by the organisation obsolete or of reduced value;
- organisations that are attempting to solve the same problem;
- the products or services a customer would purchase in the place of those provided by the organisation.

Effective ways of identifying competitors include:

- imagining you are the consumer looking to solve your problem – how would you go about finding an organisation to help?
- performing a Google and social media search, or a company website search;
- attending relevant industry conferences;
- speaking to relevant industry consultants.

! NEED TO KNOW

Competition is not necessarily a bad thing: it shows a space in the market for the product or service an organisation offers. It's important to rate the significance of competitors by proximity – whether that's similarity of offering or geography.

REVISION on the go

Assessing competitor strategies

Once an organisation has identified key competitors, it's important to create a sensible way to research and maintain research on the organisation's activities. This involves creating and maintaining profiles on key competitive businesses.

To create a helpful profile, choose which activity and metrics you're going to track and the regularity of these; who will be responsible for the profile; and who it should be shared with. This will most likely be in the form of a grid. Some examples of what a competitor assessment may track include:

- the products and services they sell – packages, product development
- pricing
- distribution methods
- their market share
- apparent marketing strategies and promotions – online and offline
- customer services
- strengths and weaknesses, successes and failures

After deciding what to track, you can create an action plan for the best activities to take to achieve this. This could include:

Online

- Monitor their social media activity – both consumer facing and B2B (e.g. LinkedIn).
- Sign up for mailing lists to receive email campaigns.
- Look for any evidence of campaigns on their website (e.g. offers, press page).
- Follow their management and marketing team on LinkedIn.
- Look for any public earning statements or publicly available reports.
- Research reviews from consumers on relevant public sites.
- Check sites like Alexa (www.alexa.com) to find out more about the traffic to their sites.

Physical

- Attend conferences which representatives will be at and see what can be established.
- If they have a site (i.e. offices or store), visit this.

Additional options

- What can be discovered by calling them and asking questions?
- If you're hiring, is there potential to hire competitors' former employees?
- What trade magazines and industry knowledge are available?

Evaluating competitor strengths and weaknesses

Assessing competition is important as it enables an organisation to exploit any weaknesses and emulate or target any strengths, and to learn from and build on both.

While you may not have access to exact sales figures or reports, you can assess the activities of the organisation using the information that is publicly available. This can be from the perspective of an industry insider or from a potential customer.

Based on expertise, perceived customer response and often actual customer response (i.e. reviews, social media response), you can evaluate:

- the most successful and unsuccessful sales channels;
- the most successful and unsuccessful distribution channels;
- production strengths and weaknesses;
- internal strengths and weaknesses;
- marketing strengths and weaknesses;
- business orientation.

Assessment over time

You can assess the changes, developments and impact of these factors over time by considering the following:

- growth in followers, social engagement or traffic over time;
- increase in investment in certain strategies (i.e. specific promotional materials, events)
- industry press coverage and case studies;
- reviews responding to recent features or promotions.

OVER TO YOU

Activity 7: Carry out a competitor audit

Choose an industry that could potentially launch soon in your local area. This can be a new product for sale or a service provided.

1 Consider three competitor organisations.

2 Consider three factors that may be useful to track, and how you would track these over time.

3 Based on these factors, write a list of strengths and weaknesses for each competitor organisation.

Organisation 1	
Strengths:	Weaknesses:

Organisation 2	
Strengths:	**Weaknesses:**
Organisation 3	
Strengths:	**Weaknesses:**

4 Based on these strengths and weaknesses, write a list of opportunities for an organisation in the same industry or location.

Getting to know customers

Identifying customer types

There are five types of customers that an organisation must be aware of:

- loyal customers
- discount customers
- impulse customers
- need-based customers
- wandering customers

Each type of customer will require a different focus, attention and strategic marketing, as shown in Figure 6.

Loyal customers

Repeat customers who choose to purchase from the organisation repeatedly and regularly, regardless of variable factors.

Strategy to engage loyal customers:
- allow them to become ambassadors
- reward their loyalty with exclusive offers and deals
- use for product development and market research

Discount customers

Customers who always look for the best deals and have likely found the organisation through specific offers, who will leave to save money elsewhere if they see a better deal.

Strategy to engage discount customers:
- compelling offers
- show the full value of the service or product
- breakdown the deal or offer clearly

Impulse customers

This customer does not require extensive convincing to make a decision, and will decide to make a purchase instantaneously.

Strategy to engage impulse customers:
- quick, easy and efficient sales process
- efficient customer service
- strong brand awareness to be in their environment

Need-based customers

Need-based customers will make a purchase subject to requirement and to solve a specific problem.

Strategy to engage need-based customers:
- clarity in product descriptions and materials
- logical branding that matches the customer's perception of what the product should do
- don't clutter with unnecessary features

Wandering customers

Wandering customers will make purchase decisions based on factors that change and adapt over time and depending on the product.

Strategy to engage wandering customers:
- regular communication showcasing different product highlights
- offers and deals with differing added value
- engagement and relationship building to promote more loyalty

Figure 6: Customer types

OVER TO YOU

Activity 8: Engage different customer types

Think of a local organisation. Write down two or three ways this organisation may attempt to engage each type of customer in upcoming strategic marketing.

NEED TO KNOW

Strategic marketing requires an awareness of customer types as each will contribute to different volumes of sales and engagement with the brand. This must be incorporated into any **forecasting** for effective resources allocation.

Evaluating purchase decisions

Purchase decisions are rarely made randomly or on the spur of the moment. In fact, there is a process that each consumer goes through before making a final decision and purchasing an item or service.

The consumer buying process is made up of a linear series of largely internal processes and thought patterns, although certain parts of the process are informed by interactions with the outside world including friends, reviews and marketing materials. There is no specific length of time the consumer buying purchase takes or should take; this is unique to the consumer and their needs. It also will vary on the nature of the purchase, taking into account factors such as the cost and overall importance.

NEED TO KNOW

Marketers need to be aware that there are different stages at which the consumer can be engaged, interacted with and ultimately have their final decision influenced. By having a marketing plan which reaches consumers at all of the relevant stages of making a purchase, there is a greater chance that the product or service offered by your organisation is the one that the customer selects when it comes to making a purchase.

Problem recognition	The customer realises they have a need or a want
Information search	The customer begins searching for information on ways to solve this need or want
Evaluation of alternatives	The customer compares all of the solutions discovered in their search
Purchase decision	The customer chooses one of the alternatives and makes a commitment to buy
Purchase	The customer completes the act of making a purchase
Post-purchase evaluation	The customer reviews whether the right decision has been made and if their initial problem is sufficiently solved

Figure 7: Stages of the consumer buying process

REVISION on the go

How can a marketer use these stages to their advantage?

Taking the consumer buying process into account, strategic marketing will include touchpoints (see Table 7) at different stages of the process that are directly related to a customer's specific aims and thoughts at each part of their purchase journey. This means that the organisation can connect with potential consumers in the right way at the right time.

Problem recognition	Ensure the problem that is being solved is at the centre of this initial stage of marketing, building up the scale of the problem to encourage the customer's belief that it must be solved.
Information search	Ensure that adequate information is provided outside of simply selling a product or service.
Evaluation of alternatives	Focus on establishing the organisation as a leader in the solution to this problem above all other alternatives, perhaps even making direct comparisons to competitors.

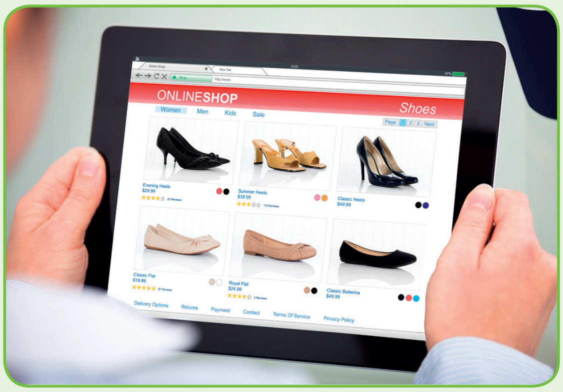
Purchase decision	Remind customer of the extent of their problem, why they wanted to solve it and how the organisation can solve it efficiently.
Purchase	At this point in the process the key factor is to make it as easy as possible for the customer to make their purchase decision and not walk away due to logistical issues.
Post-purchase evaluation	The customer confirms that they have made the right decision and that their initial problem is sufficiently solved. Offer customer reassurance that they have made the right decision.

Table 7: Connecting with customers during the consumer buying process

NEED TO KNOW

By being aware of the stage a consumer is at in their purchase decision, marketers are able to make more informed decisions about what a consumer is looking for. This impacts the marketing activity they'll undertake at specific times, and this will ultimately lead to encouraging consumers to make a purchase decision with the organisation favourably in mind.

CASE STUDY: EXAMPLE OF THE CONSUMER JOURNEY IN PRACTICE



Problem recognition	Tiana's work shoes have worn down and she needs a new pair that are within the criteria guidelines set by the company she works for.
Information search	She asks her colleagues which shoes they wear to work and receives different answers.
Evaluation of alternatives	She conducts an online search of the brands and designs of shoes recommended by her colleagues in order to find a pair within her budget.

Purchase decision	She visits the website of the shop selling the shoes she's interested in buying.
Purchase	The checkout process is easy and they even offer her a discount as it's her first purchase, so she buys the shoes.
Post-purchase evaluation	The shoes arrive, fit as expected and are within her work's dress code. She's happy with her purchase, especially the speed of delivery.

OVER TO YOU

Activity 9: Mapping consumer purchase decisions

Map a consumer purchase decision onto the same chart as used in the above case study.

You can use a relevant example you've come across in your own experience, or use one of the following examples:

- **Ashton's computer keeps shutting down unexpectedly.**
- **Valeria wants to start exercising more.**
- **Kal needs a bike to cycle to his new job.**

Problem recognition	
Information search	
Evaluation of alternatives	
Purchase decision	

Purchase	
Post-purchase evaluation	

Factors that influence the buying decision

While there is a clear path that consumers take on the route to making a purchase, there are other factors which come into play that have an impact on if, when and why they decide to buy, as shown in Table 8.

	Description	Examples
Personal factors	Characteristics that are unique to an individual based on who they are, decisions they have made and their personality	Age, education, occupation and economic stability, lifestyle choices
Cultural factors	Values and ideologies held by the consumer, often developed by geography, background and family social standing	Cultures, subcultures, religions, gender, role of the family
Psychological factors	Conscious and unconscious thought processes that lead to differing perceptions	Motivation, immediate needs, education and learning, attitudes, belief systems
Social factors	Factors relating to an individual's perception of their place in society, usually directly correlating to the reference groups they interact with	Friends, family, colleagues, peers and members of groups, clubs, wider social circles

Table 8: Other factors that influence the buying decision

These factors aren't generally related to transient details, but are more ingrained within specific consumers. Although they are impacted by external factors, what's significant is that they combine to create a distinct internal consumer personality based on the integration of all of these factors and how they work together. Marketers must understand these variables as each factor must be addressed in a different way when it comes to encouraging consumers who exhibit these collections of unique behaviours and perspectives to make a purchase.

CASE STUDY: FACTORS THAT INFLUENCE BUYING DECISIONS

	Example 1	Example 2
Personal factors	John is a homeowner, married with two young children. He is a qualified lawyer and works in a law firm, earning a comfortable living and choosing luxurious goods.	Anna is a student who works part-time in a coffee shop. She earns just enough money to buy some luxury items.
Cultural factors	John is a practising Christian.	Anna is creative and is part of an artistic subculture and values independence of thought and opinion.
Psychological factors	John's primary motivation is to provide for his family as he believes this is the traditional role of a father.	Anna wants to enjoy her life and is particularly motivated by creativity and freedom of expression.
Social factors	John's friends and family also prefer luxurious purchases, and it is particularly important to him to show his colleagues that he's doing well.	Anna mainly spends time with her classmates who are all very artistic, so she prides herself on unique purchases, and doing the opposite of what her parents wish she would.

OVER TO YOU

Activity 10: Understanding buying decisions

Using the above examples of John and Anna, pull out a key trait in each of the personal, cultural, psychological and social factors that marketers should consider.

The impact of marketing on the consumer buying decision

As we've seen, there are a huge number of factors that come into play that directly impact why, when and what a consumer will choose to buy. A marketer is able to influence the variables to the advantage of their organisation, making it more likely that a consumer will ultimately make a purchase decision with that organisation.

The following are some of the key ways in which marketing can impact the consumer buying decision:

- persuading the consumer that they have a specific need or problem that needs solving;
- educating the consumer about ways to solve their problem;
- positioning the organisation and its products as the best way to solve that problem;
- increasing the urgency to solve that problem;
- confirming the value of the solution to that problem, validating their pricing;
- suggesting that the problem serves the personal, cultural, psychological and social factors that are at play;
- building a brand that appeals to distinct consumer traits within the factors that influence their purchase decisions;
- using personal, cultural, psychological or social factors to enhance the appeal of a brand to consumers with particular inclinations in these areas.

Methods of segmenting consumer markets

Segmentation for consumer markets is based around finding consistency around shared characteristics (see Table 9), meaning that a marketer is able to make specific assumptions about a group of people that will help inform how the organisation engages with that group and encourage them to purchase.

Segment	Variable characteristics
Geographic	Area, urban, rural
Demographic	Age, gender, nationality, education level, income and occupation, life cycle, family, class, status
Behavioural	Cultural, social and lifestyle choices, beliefs and attitudes, interests and hobbies
Psychographic	Previous or typical purchase decisions
Benefits sought	Based on specific purposes, requirements or sought outcomes, including for particular occasions or scenarios

Table 9: Variable characteristics of market segments

REVISION on the go

Knowledge of these variables, assembled using a combination of data and assumptions, can lead to creating a segment that a marketer is then able to use to create a marketing plan.

What makes a segment effective?

Based on the large numbers of variable characteristics, the potential for creating segments is seemingly endless. For this reason, marketers must stick to the following characteristics for creating effective segments that will provide a useful contribution to any marketing plan.

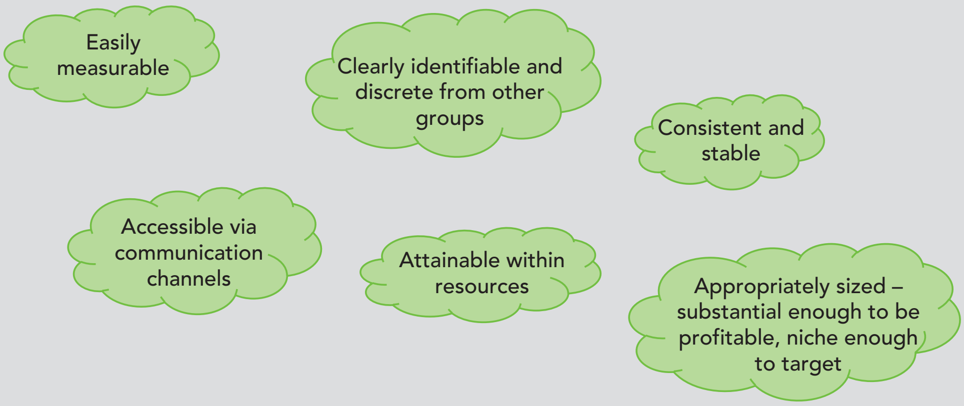


Figure 8: Characteristics for creating effective segments

REVISION on the go

Based on the criteria shown in Figure 8, a marketer will evaluate which of the possible segments they have created to focus on targeting. It's advisable to choose multiple segments to test the outcomes of different marketing activities, because one may be a more successful fit than the other. The segments should be chosen based on a variety of factors including:

- likelihood of success;
- size of segment;
- ease and cost to reach through communication channels;
- stability and ability to include in longer-term plans.

CASE STUDY: CHOOSING CUSTOMER SEGMENTS

Li Wan runs a recruitment consultancy specifically for professionals in the retail industry. She must market her services to both consumers – potential employees and business purchasers – employers. It's a high cost service that gets a great level of attention from Li Wan as she matches candidates to roles. The roles are both casual and flexible, or on long-term contracts with set hours.

She decides to build multiple segments for the potential employees, and a single segment for her industrial purchasers.

For the consumer purchasers she decides to target:

- Female students under the age of 25 who value a flexible lifestyle and are fashion-orientated.
- People who have previously worked in retail over the age of 25 who are starting a family and desire a flexible lifestyle to fit around childcare.

For the business purchasers she decides to target:

- Large retail organisations with a high turnover of staff, particularly focusing on those without recruitment expertise in-house.

OVER TO YOU

Activity 11: Getting to know market segments

Think of an organisation you've recently come into contact with and make a list of the potential characteristics you think would make up their market segments.

Approaches to targeting

Once a marketer has established the segments they are interested in targeting and evaluated which segments would be the most valuable to focus on, they must choose an approach to target these segments with. Table 10 shows three strategic approaches the marketer can take to targeting:

	Undifferentiated: Using the same promotional message to all segments	**Concentrated:** Using different promotional messages to appeal to the specific needs and desires of a specific segment	**Differentiated:** Using multiple promotional messages simultaneously that appeal to different needs and desires of multiple segments
Benefits	Reaching a large number of people at once means more people accessing the message	Niche targeting means you are likely to have the desired effect on the segment you are targeting	Creates the opportunity to test different segments against each other
Considerations	Being too vague may mean that the message doesn't land effectively with anyone	If this segment isn't a successful choice lots of time and money is spent trying to reach them	Potentially requires more substantial resources

Table 10: Strategic approaches to targeting

When selecting a market segment to target, strategic marketing will lead to a focus on the most **profitable** segment. However, the most profitable segment in the current market may not be the same as the most profitable segment in the future market. It's important to keep track of trends and changes in the market that could lead to a change in the most profitable segment.

Drivers of competitiveness

To create a strategy that achieves a long-term, sustainable and ultimately profitable competitive advantage, there must be a clear understanding of what determines "competitiveness", and how it can be analysed effectively.

There are different frameworks and models for assessing the competitiveness of any organisation, and these should be used dependent on the industry and location.

Porter's Five Forces

The most widely accepted of these is Porter's Five Forces framework[10] which helps to determine an organisation's potential to be profitable. The five forces are:

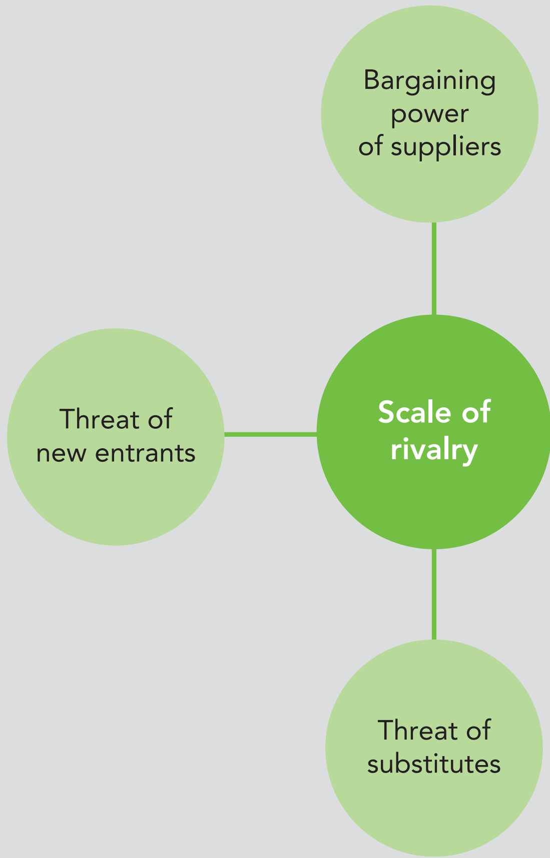


Figure 9: Porter's Five Forces

10 Porter, M.E. (2008), "The five competitive forces that shape strategy", *Harvard Business Review* (January) [online]. Retrieved from: https://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy [Accessed on: 01 October 2017]

While it's important to always consider the local and industry-led differences between different organisations, Porter claims that his model is a universal one regardless of geography, industry or other factors.

Bargaining power of suppliers	Bargaining power of customers	Threat of new entrants	Threat of substitutes
How much power does the supplier have over the success of the organisation?	How much power does the customer base have to impact the pricing or content of the organisation's product or services?	How easy and/or likely is it for new products or services to disrupt the fundamentals of the industry at large?	How easy and/ or likely is it for customers to switch to competitor organisations offering comparable products or services?
If the supplier raises its prices or stops operating or chooses to work exclusively with a competitor, how is the organisation impacted? Are there alternative suppliers that the organisation could turn to, or is the existing one the only viable option?	Are there a low number of customers but a high number of competitor organisations? Is the organisation's product or service distinct, valuable and necessary or desirable enough in the eyes of the customer?	Are substitute or leap-frog products or services that make the organisation's product or service obsolete likely? Have there been any advances in production, technology or cost that make it likely the industry will undergo large-scale changes?	How many competitor products or services are there that could potentially attract existing customers or prevent new customers choosing the organisation? Do competitors have an edge in terms of ability to undercut in price or improve product considerably?

Table 11: Applying Porter's Five Forces

What does this mean for an organisation?

Depending on the evaluation of each of the factors in Porter's model, an assessment can be made of the scale of the rivalry or competitiveness in that particular industry.

The scale of rivalry is how easy it is to compete within a particular industry, taking into account all of the micro-environment factors that the model incorporates.

The benefits to an organisation of using Porter's Five Forces model include:

- a clear analysis of the competitive situation in the market - both current and potential;
- data to reinforce where attention should be focused to be most profitable;
- a useful snapshot of any industry at large;
- can be applied to any industry or locale.

Global focus

The Global Competitiveness Index[11] is an annual index of competitiveness by geography, calculated from 12 pillars, with each pillar representing a key factor of competitiveness.

The impact of each pillar of competitiveness impacts each country differently dependent on their economic development. Therefore, dependent on the geography of your organisation, the scale of competitiveness varies.

The 12 pillars included in the index are:

1. Relevant institutions
2. Appropriate infrastructure
3. Stable macroeconomics
4. Good health and primary education
5. Good higher education and training
6. Efficient goods markets
7. Efficient labour markets
8. Efficient and developed financial markets
9. Harnessing benefits of existing technologies
10. Market size – domestic and international
11. New and different goods with high performance production processes
12. Consistent innovation

Portfolio approaches

When defining which segments to pursue, an organisation should consider that different segments may have differing levels of competition, and therefore different likelihoods of competitive advantages.

A portfolio approach maximises the potential of different target segments, and therefore increases the competitive advantage across all of these.

Some of the key benefits of portfolio approach are:

- It is an **agile** method that allows for the potential growth or decline of industries.
- It encompasses future market growth.
- It rewards innovation within an organisation.
- It allows an organisation to adapt based on external factors.
- It can direct and guide internal decisions and strategies.

11 *The Global Competitiveness Index*. Retrieved from: http://reports.weforum.org/global-competitiveness-index-2017-2018/ [Accessed on: 01 October 2017]. The Global Competitiveness Index assesses the ability of countries to provide high levels of prosperity to their citizens. This in turn depends on how productively a country uses available resources. Therefore, the Global Competitiveness Index measures the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity.

When an organisation is considering a portfolio approach, it should think about the following:

- It may not have the budget to address multiple segments.
- It may lead to lack of focus on a specific segment.
- There may not be enough commitment to a strategic focus and this could negatively impact the team.
- The required skills to adequately address different segments may not be present.

There are many different approaches an organisation can take when defining a strategy to solve a problem and serve their market, but central to all of these is an ongoing consideration of the organisation's aims, capabilities and awareness of the market within which the organisation operates.

READING LIST

- Bourne, L. Walker, D.H.T. (2005), "Visualising and mapping stakeholder influence", *Management Decision*, Vol. 43, Issue 5, pp. 649–660. (This article will be available in your student online resources.)
- Sørensen, H.E. (2009), "Why competitors matter for market orientation", *European Journal of Marketing*, Vol. 43, Issue 5/6, pp. 735–761. (This article will be available in your student online resources.)
- Cravens, D.W. Piercy, N.F. and Prentice, A. (2000), "Developing market-driven product *strategies", Journal of Product & Brand Management*, Vol. 9, Issue 6, pp. 369–388. (This article will be available in your student online resources.)

Summary

This chapter has covered the foundations an organisation must lay in order to build an effective strategy, in marketing and beyond. Before creating their strategy, a marketer must first understand what constitutes a strategy, and how this relates to marketing and market-driven approaches. This also incorporates awareness of the role and process of management, and the impact that various stakeholders have on the running of an organisation.

Chapter 2

Designing Market-Driven Strategies

Introduction

A company's strategic vision sets out the way in which a business is working towards its objectives. This should be defined prior to any methodology being decided upon. In this chapter, we'll look at how that's done.

Learning outcome

On completing the chapter, you will be able to:

2 Critically review relevant marketing theories, conceptual models and frameworks in the development of marketing strategies, including international marketing strategy

Assessment criteria

2 Critically review relevant marketing theories, conceptual models and frameworks in the development of marketing strategies, including international marketing strategy

2.1 Recommend methods to analyse the macro-environment and develop a strategic vision

2.2 Critically evaluate the role of market segmentation and competitive positioning

2.1 Methods to analyse the macro-environment and develop a strategic vision

Establishing a good strategic vision involves making sure that all key decision-makers in the company are aligned with the chosen strategy, and as such are able to ensure that employees work cohesively towards achieving the business goals. This provides a timeline along which the organisation can plot key decisions that take a company from its present to its future.

The macro-environment in which the organisation operates is the wider economic, social and political landscape and industry. The micro-environment refers to the operations within the business itself.

Developing a strategic vision and marketing objectives

Mission statements

An organisation's mission statement is a piece of text that sets out how it will go about achieving its business objectives. It usually combines the essence of the organisation's function with the additional context of its desired market positioning, ethos and approach towards its potential customers.

In some cases it will only serve as an internal document to help employees and management understand the aims of the organisation; in others it may also be consumer-facing and geared towards helping the public understand how the organisation aims to behave. In the second instance, it will likely be coloured by more emotive marketing language to portray something above the objective functionality of the organisation's product or service.

The link between vision, strategy and values

It could be said that a mission statement describes an organisation's values. These will inform its strategic vision, which sets out how it will use these values to reach its future, and what that future will "look" like.

Business purpose or function and values → Mission statement → Strategic vision

Figure 1: Values, mission and vision

REVISION on the go

Vision and defining objectives

Building a strategic vision for an organisation involves taking the principles set out in the mission statement and the company's product (or output) and combining them to create a set of business objectives. How these objectives are reached defines the methodology spelled out in the strategic vision, and when they are aimed to be achieved sets out yardsticks for the organisation's performance to be measured against.

OVER TO YOU

Activity 1: Defining strategic vision and business objectives

Choose a well-known brand or business and look them up on the internet. Write down a brief indication of their mission statements, strategic vision and business objectives in a few short sentences or bullet points.

You may be able to find this information verbatim on their corporate website. In other cases, you may have to use your own research and thinking to define each of these elements.

The nature of corporate objectives

Corporate objectives are the goals set out by an organisation that form the bedrock of how it operates. As previously outlined, how these objectives are reached will be informed by the organisation's mission statement and strategic vision.

Let's take a look at the different elements that can comprise or influence corporate objectives.

Business scope

This describes the domain, industry or sector within which the organisation will operate. It could be very specific, very broad or territory-specific.

Business orientation

The way in which a company approaches its development, manufacture and marketing of a product can be described as its business orientation. It defines which main factor it focuses on to drive itself, chiefly:

- **Product orientation**: the company focuses on its product and on the systems and skills that support it.
- **Marketing orientation**: the company focuses on satisfying the needs and desires of its target market.

Particularly in markets where the different brands or products available are largely homogenous or where there is little to truly differentiate them, marketing orientation has become increasingly popular. Marketing can help a brand or company build affinity or better still loyalty with a consumer who may not otherwise particularly prefer to purchase their product over a competitor's.

The appeal of a marketing orientation also applies in markets where there is a large range of choice and where different products do truly offer something different. It can enable a company to tell the story of what makes their product so special over multiple touch points and media and to set themselves aside from the competition.

Table 1 shows how marketing orientation can be broken down into further components:

Customer orientation	Customer orientation focuses on the meeting the needs and desires of a customer.
Competition orientation	Focuses on constant competitor analysis to better develop and promote products and services.
Inter-functional co-ordination	Different internal departments within a company work together to achieve the overall business goals with a focus on ease and speed of response to external factors such as political, economic, social, technological, environmental and legal.

Table 1: The components of marketing orientation

Table 2 shows other possible business orientations.

Production orientation	Belief that optimising manufacturing and therefore making products cheaply and widely available will lead to success.
Product orientation	Belief that a strong product sells itself, focusing on product quality and form.
Sales orientation	Focuses on using major promotional activity to persuade customers to buy a product instead of prioritising customer needs.

Table 2: Additional business orientations

Business organisation

This is the legal framework that dictates how a company operates and who it is beholden to. These models differ across the world, but are largely variations of the following types of organisation, as shown in Table 3.

Sole trader/sole proprietor	An individual runs the company alone, owns all of its profits and is personally liable for its debts.
Partnerships	An association of two or more people formed to run a business entity, who usually share equally in the profits.
Incorporated company	The company is a legal entity with its own profits, losses and debts and is owned by shareholders, be they private or public (i.e. stock market listed).

Table 3: Legal frameworks of businesses

Public responsibility

No company operates in a vacuum, and as such they are not only held **accountable** by their shareholders and by industry regulators, but also by the public, government and other local and national institutions.

Public responsibility refers to a company's obligation to conduct itself in a fair manner, which can encompass matters such as corporate social responsibility (e.g. charity donations and support, community investment), abiding by **consumer rights** practices, and environmental sustainability.

Although these are generally types of business objectives that are not directly profit-driven, they may affect the company's reputation which could in turn have an effect on sales, profits and share prices. They could be deemed more as moral obligations, but ones whose neglect could impact upon the performance of the business in a financial regard.

CASE STUDY: PUBLIC RESPONSIBILITY

A 2009 paper by the Bank of Finland examined companies that were included or excluded in a key social responsibility ranking between 1990 and 2004, and the impact that it had on their stock value. The study found that stocks dropped on average 3% when a company was removed from the list of socially responsible companies and that when companies were added to it, their stock value rose by around 2%.

Source: Whaley, F. (2013) "Is corporate social responsibility profitable for companies?", Devex. Retrieved from: https://www.devex.com/news/is-corporate-social-responsibility-profitable-for-companies-80354.

Performance evaluation

Choosing yardsticks against which to measure a company's performance and constantly evaluating them is crucial to a company's development and ongoing success. These metrics will be set out as part of a company's strategic vision to ensure that goals are being moved towards or reached in a timely fashion that is consistent with the vision.

While for any profit-driven company, its overall performance on a financial level will be the headline figure when making such evaluations, a wide array of metrics will be used to identify progress, trends and issues and how different factors may be contributing to overall profits or losses. Furthermore, all metrics will be compared to those of the business' competitors, as shown in Table 4.

Component	What to evaluate
Market	Competitor analysis: how is the company performing within its market/sector? Has the market/sector shrunk or grown overall in the period evaluated?
Customer satisfaction	Profits may be healthy, but are customers satisfied with the product? If not the company could be in danger of complacency. What do customer loyalty or repeat purchase rates look like?
Product/service quality	Is the product as good as it could be? Are faults with the product or service harming profits?
Internal	Are employees happy and motivated to be giving the company their best work, efforts and **efficiency**? Are they being provided with enough training to help them advance?
Financial	Liquidity: how quickly can the company raise cash if needed? Solvency: how quickly can the company service its debt?

Table 4: Drilling down into profits evaluations

REVISION on the go

Recognising competitors' objectives

It's vital for a business to understand what its competitors' objectives are and how they are similar or different to their own. Doing so may help the business to anticipate competitor behaviour or how they may react to external factors. It will also help them to understand comparative and competitive advantages and disadvantages relative to their competitors and how to harness or change these in the future.

The link between corporate objectives and marketing objectives

An organisation's corporate objectives set out what they want to achieve as a business. Their marketing objectives set out, in part, how they will go about achieving this.

CASE STUDY: LINKING CORPORATE AND MARKETING OBJECTIVES

Hyper Cosmetics have a corporate objective of increasing their market share from 35% to 45% next year.

An associated marketing objective could be for them to increase their experiential activity from engaging 300,000 potential customers across the year to 400,000, or to increase their online purchase conversion rate from social media advertising from 1 to 2%.

Source: Reback, G. (2015) "Suddenly gone: Ireland's #1 startup exits quickly in $44 million sale. But why?", Geektime. Retrieved from: https://www.geektime.com/2015/12/15/suddenly-gone-irelands-1-startup-exits-quickly-in-44-million-sale-but-why/

Marketing objectives

A common framework an organisation uses to set marketing objectives is the SMART objective criteria, which is used across many types of decision-making.

SMART is a mnemonic that stands for:

Specific

Measurable

Achievable

Realistic

Time-bound

Table 5 summarises what an organisation needs to consider when thinking about whether its objectives are SMART.

Specific	Does the objective give enough detail about a very particular element of the business or its results?
Measurable	Is there a clear quantitative and/or qualitative way in which to measure whether the objective has been reached or not?
Achievable	Is this objective attainable given the right amount of effort and application?
Realistic	Is this objective attainable given current or planned resources, timeframes and taking into account external factors?
Time-bound	Can timeframes be laid out to plot and check the progress of this objective?

Table 5: SMART objectives

REVISION on the go

CASE STUDY: SETTING A SMART OBJECTIVE IN PRACTICE

Consider this statement:

Bill's Razors aims to increase sales of their best-selling Triple Sharp razor by 15% by the end of 2018, increasing by 3.5% each quarter.

It says it will do so by streamlining its production process to remove inefficiencies, enabling it to drive down its price and offer sales discounts. It has identified inefficiencies that, if eliminated, could save up to 20% per unit on production costs and it could pass on a big chunk of that to the consumer.

It will also increase its marketing spend by 40% and launch a bold new advertising campaign and partner with a new men's skincare brand.

The razor market is growing at 10% year-on-year.

Holding this statement up to the SMART assessment criteria:

- **Is it Specific?** Yes, it mentions a precise sales result on a single product.
- **Is it Measurable?** Yes, through product sales.
- **Is it Achievable?** yes, an increase in product sales is an attainable goal.
- **Is it Realistic?** Yes, by the sounds of it, with a growing market, a growing marketing budget and increased price competition.
- **Is It Time-bound?** yes, it mentions a year to reach the objective with four quarterly markers and planned progress for each of those markers.

NEED TO KNOW

SMART is a decision-making model that is applicable in many different scenarios and walks of life. It is wise to use it whenever setting any kind of business-related objective.

REVISION on the go

Establishing marketing objectives

An organisation must choose its route to growth and to its corporate objectives from the range of available options, and in so doing choose its marketing objectives. These describe how it aims to grow its revenue and/or market share.

The Ansoff Growth Matrix for growth options

The Ansoff Growth Matrix is a simple diagram that illustrates the different options for business growth. It lays out choices between:

- focusing on existing products **or** choosing to develop new products;
- focusing on existing markets that it is already active in **or** choosing to enter new markets.

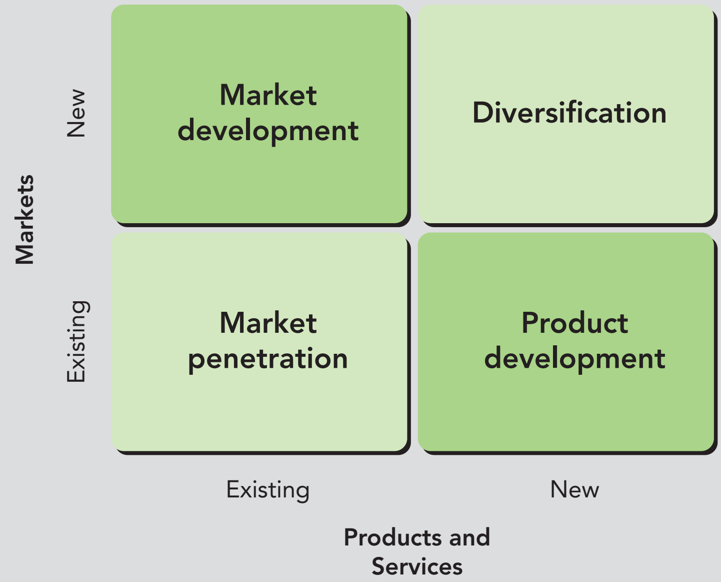


Figure 2: The Ansoff Growth Matrix

Breaking down what we see in the matrix, we reach four different models for growth:

1. Market penetration: increasing or maintaining sales and/or market share in an **existing** market with **existing** products
2. Market development: entering **new** markets with **existing** products
3. Product development: focusing on **existing** markets with **new products**
4. Diversification: entering **new** markets with **new** products

Let's break down each of these to see how each might work in practice.

Market penetration

- Increasing or maintaining sales and/or market share in an **existing** market with **existing** products

This could be achieved by use of competitive pricing, advertising, sales promotion and other marketing methods. Realising this orientation could be achieved by increasing usage or repeat purchase by existing customers, driving competitors out of the market by aggressively competing on price or focusing on dominating the growth markets.

This orientation could be seen as focusing on current strengths and knowledge and as such will not require much in the way of investment in new market research.

Market development

- Entering **new** markets with **existing** products

This could mean launching or selling the product in new territories or countries, or using new distribution channels such as branching out from in-store retail to e-commerce and mail order. It could also refer to market segmentation: adopting different pricing policies, product or packaging dimensions or variants to create new market segments.

Targeting new markets is inherently risky compared to focusing purely on ones where the business is already present.

Product development

- Focusing on **existing** markets with **new products**

This orientation will require considerable research, development and investment in order to create products that consumers deem desirable or necessary in addition to the company's existing range. It will need to undertake customer research to garner insights into what customer needs look like, how they are changing and to assess any shortcomings in its current offerings.

Innovation is key in developing new products. Consumers will turn a blind eye if they are simply being offered "more of the same" or something with little discernible difference or advantage to existing products.

Diversification

- Entering **new** markets with **new** products

This is the riskiest orientation as it involves the greatest number of "unknowns" and by definition means that the company is moving into both markets and products which it has little or no experience in creating and selling.

For this orientation to be successful, the company must have a clear understanding about what it stands to gain, and a thorough comprehension of the risks involved. It will also likely employ senior management with experience in the relevant field to oversee the development of the new product or market so that there is someone with relevant expertise within the company.

OVER TO YOU

Activity 2: Understanding growth options

Consider a well-known large-scale company you know that has experienced significant growth in recent times.

Write down the growth options you think the organisation has pursued. Say why you think it has made these choices, making reference to any new products it has launched or new markets it has entered, if either are appropriate.

Key competitor analysis

Understanding the objectives, performance, behaviour and vision of key competitors is crucial for any business to succeed, thrive and grow in the long term. There are a number of tools and methodologies available to businesses to enable them to see where they stand in the marketplace and to help them predict their competitors' next moves.

Competitor benchmarking

Competition engenders better products and services and, aside from instances of collusion between market leaders, lower prices and more choice for consumers. For a firm, benchmarking themselves against other similar companies in its industry helps them not only to keep up with the competition, but also to develop better products and strive for higher profitability and customer satisfaction. It's also a way of avoiding resting on laurels when enjoying success.

Competitor benchmarking may be most useful when assessing companies of a similar size, stature and scope, but it may also be also used to provide "stretch" motivation and deeper market analysis by examining market leaders who may be of a much larger scale and scope.

A variety of metrics will be used to benchmark against competitors, and these will largely be based around publicly available figures for profits, sales volumes, production volumes and so on. Which metrics are chosen will depend on the business orientation of the company and their corporate objectives. They will largely be quantitative benchmarks, but qualitative ones will also be used.

The dimensions of competitor analysis

Analysing competitors as a whole can generally be broken down into four key areas as shown in Table 6.

Assessing competitors' current and future objectives	What are their stated corporate objectives, if available? What can be deduced about their future objectives from their current marketing, investments, hires, press etc.?
Assessing competitors' current strategies	Which of their strategies appear to be working and which don't? Which have they been repeatedly using? Could elements of their strategy be replicated or adapted successfully?
Assessing competitors' resources	What figures are available about their financial liquidity/solvency/investments? Have they been making many new hires, opening new internal departments or expanding their business into new markets?
Predicting competitors' future strategies	How can all this information be used to create a picture of their potential future strategies? What has been said about their vision/plans for the future in corporate documents, shareholder information and press?

Table 6: Key areas for competitor analysis

REVISION on the go

Using Porter's Value Chain to analyse activities

A value chain describes the set of activities that a company performs in order to deliver a valuable product or service to the market.

A value chain is a set of activities that an organisation carries out to create value for its customers. Porter's Value Chain[12] is way of assessing how to transform business inputs into business outputs in a way that is profitable. It helps companies to scrutinise all their activities, to see how they are connected and how they affect profits.

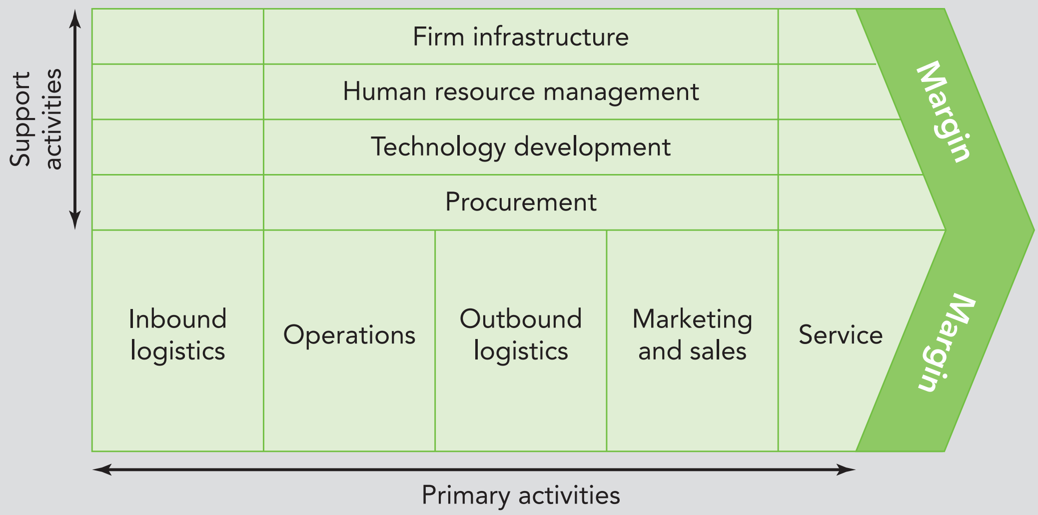


Figure 3: Porter's Generic Value Chain

The **primary activities** given along the bottom are directly related to the physical creation, sale, maintenance and support of a product or service.

- **Inbound logistics**: processes related to handling inputs internally. Relationships with suppliers are a key value creator here.
- **Operations**: activities that transform inputs into outputs sold to customers. Operational systems create value here.
- **Outbound logistics**: activities which deliver the product or service to the customer. Internal and external distribution, collection and storage systems create value here.
- **Marketing and sales**: processes used to convince customers to buy from you over your competitors. Your product benefits, differentiation or USP and how you communicate them to potential customers are of value here.
- **Service**: post-sales activities that pertain to maintaining the value of your product or service to your customers.

The **support activities** along the higher rows are those which support the outlined primary functions. Each of these can perform a supportive function for each primary activity.

- **Procurement**: the purchasing undertaken by the company to gather the resources it needs to transform into its product or services. Relationships with vendors and price negotiation are of value here.

12 Porter, M. E. (1985), *Competitive Advantage*. New York: The Free Press

- **Human resource management**: the way in which the company sources, hires, manages, trains, analyses and rewards employees. Good HR practices leading to a happy and motivated workforce are of value here.
- **Technological development**: activities relating to managing and processing information and developing both internal and customer-facing technological infrastructure. Harnessing the most efficient, transformative and cutting-edge technologies at the lowest cost is of value here.
- **Infrastructure**: the systems and functions that enable the company to maintain daily operations such as finance, legal, administrative and general management.

Combining these primary and support activities gives companies the building blocks needed to create a valuable product or service.

The idea of "good" and "bad" competitors

As previously outlined, healthy or "good" competition both provides a landscape in which companies can thrive and rewards consumers. When rival companies compete on price, they continually push each other in the race for innovation and product improvement. It is in a company's long-term interests to not become complacent, and healthy competition ensures that they will move forward at a faster pace in order to keep up with the market. The result for the consumer should be lower prices, more choice, better products and a more rapid pace of innovation.

However, if a competitor exerts too much market control – for example when they have an effective monopoly or there is a duopoly where two dominant firms largely control the market – there is a risk that the consumer loses out. Companies who hold this much power over the market can fix prices at an artificially high level or collude with each other to do so. Without the threat of meaningful competition, they may be less incentivised to maintain a rapid pace of product innovation and improvement or to invest heavily in research and development.

Not only does this have clear concerns for consumers, but in the longer term, such complacency could be dangerous to such companies. If a sudden change of a technological, legal, social, political or environmental factor enables competitors to enter the market or become a major player, these incumbents may not be ready for the challenge presented by them. Competition keeps businesses on their toes.

Sources of competitor information

In order to build as complete a picture as possible of a competitor's behaviour, performance, resources, strategy and plans, businesses need to harness every available resource for garnering information.

Media

TV, newspapers and magazines, radio, the internet and podcasts are all readily available sources of information. Larger companies in particular will have active press departments or will hire PR firms to manage their presence and reputation in the media. It may be possible to receive alerts direct from these departments and firms to see press releases sent out by the company first-hand.

Advertising

Print, TV, radio, outdoor, online and cinema advertising all help to outline a company's primary product concerns and their scale and scope can give indications as to the level of budget and resources a company has. There are also services that are able to track advertising spend in order to give a more accurate picture.

Technical reports

Reports from industry and financial analysts, trade regulatory bodies and competitive intelligence firms can provide highly specific information that can offer a deep insight into the workings of a company. These reports may be able to unearth issues or information that headline financial figures may not be able to in isolation.

Trade sources

Trade magazines and trade shows offer a chance to examine the workings of a company on a business-to-business level which may offer different insights to those consumer-focused sources of information. If a company has a sales force as part of its operations, they may be able to offer on-the-ground insights from business customers about competitors.

Customers

Thanks to the internet and social media, it's never been easier for a company to see what customers think of its competitors. While some industries may be less prone to customers voicing their opinions in public digital forums for whatever reason, the vast majority of sectors have at least some such information easily found at the click of a button.

Twitter allows anyone to search for mentions of a certain keyword or to view interactions between companies and their customers, while Facebook fan pages are a similar place for venting of frustrations or the giving of praise. There are some very large consumer rights and financial forums and a growing number of peer-to-peer review sites where people can give their opinions on different products, services and tradespeople.

Some businesses also survey their existing customers about their thoughts on their competitors to harness more insight en masse. Similarly, organisations may directly engage customers using competitor products or services as well as those using their own.

Direct contact with competitors

This can include visiting competitors' websites and visiting their stores or sites as well as purchasing and trialling competitor products or services.

If competitors' products or services require relationships with suppliers and additional service providers, there is also the potential to engage directly with these third parties to uncover more about the production process – either online, by making telephone contact or visiting relevant sites.

OVER TO YOU

Activity 3: Competitor analysis

Using the internet, perform a very brief competitor analysis of a well-known brand. Use social media, trade sources and media/press sites to create three bullet points which give you some indication as to their current activities, successes, growth or plans for the future.

Phases of competition and business cycle

The stage a business is at will inform its marketing strategy. It will need to develop its strategy as it grows and enters new business cycle phases to tackle the new challenges that come with each stage. These phases are outlined in Table 7.

Phase	Description	Marketing considerations
Seed	Birth of a new business, initial development of the business idea, initial investment sought	Market acceptance, focusing on a niche, avoiding spreading resources/efforts too thinly
Start-up	Business is now a legal entity, more investment sought, first products/ services in production, first customers	Establishing customer base and market presence, managing how production issues/times affect marketing plan
Growth	Business established, revenues and customer base growing, bigger investment sought, competition growing	Increasing visibility and sales efforts to keep up with competition, continuing efforts to raise brand awareness
Established	Thriving business with repeat customers and widely known name/reputation	Avoiding complacency, keeping on top of changing market
Expansion	New period of growth into new markets, distribution channels, customer types and/or products	Thorough planning to enter these new areas involving market research, communicating new activities to new and existing customers in authentic way
Decline	Decreasing sales/profits	Searching for new opportunities and business ventures, cutting costs
Exit	Profitable sale of company or closing business due to lack of profitability	Communicating sale/takeover with existing customers and reassuring them, or in case of closing business, thanking customers, or apologising if there was a potential direct negative outcome

Table 7: Marketing and the business cycle

REVISION on the go

CASE STUDY: EXITING

Irish fraud prevention tech startup Trustev raised $7.8 million in investment in less than two years and was then acquired by American credit reporting company TransUnion for $44 million, enabling its founders to "exit" in a very short space of time from creating their company.

Source: Reback, G. (2015) "Suddenly gone: Ireland's #1 startup exits quickly in $44 million sale. But why?", Geektime. Retrieved from: https://www.geektime.com/2015/12/15/suddenly-gone-irelands-1-startup-exits-quickly-in-44-million-sale-but-why/

Analysing the macro-environment

Looking at the wider environment that a business operates in, there are a multitude of factors that can affect the profitability of a company. While changes in these factors are largely out of the control of a business, it's a question of how the business reacts to them that will determine its longer-term success or failure. A thorough understanding of and continual analysis and awareness of the macro-environment will help a company to prepare for such changes and to roll with the punches, to a degree. Organisations can use PESTLE analysis to develop this understanding.

PESTLE analysis

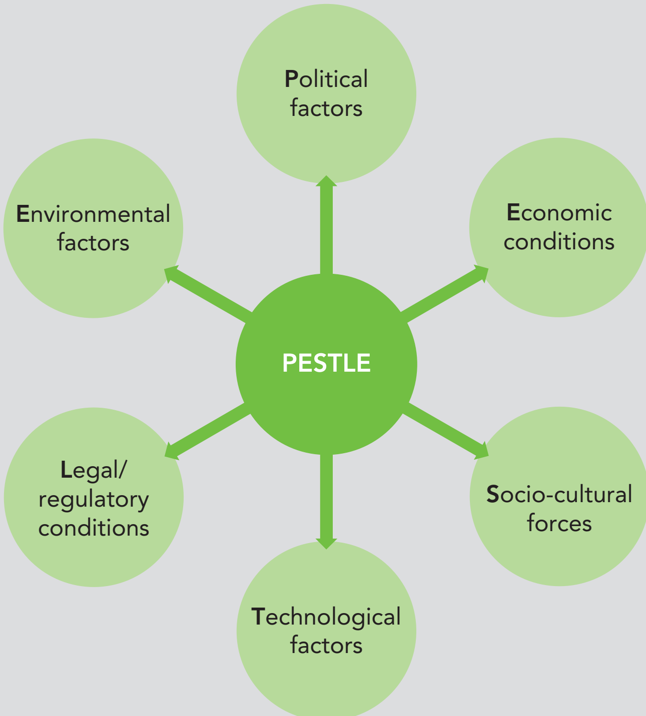


Figure 4: PESTLE analysis

- **Political**: how does national, local and international government policy intervene in the economy and the industry in which the business operates? Is there political stability? How do foreign trade policy, tax policy, labour laws, environmental laws and trade restrictions affect the business?

- **Economic**: how do economic growth, government expenditure, taxation, interest rates, exchange rates, inflation, the disposable income of consumers and companies and their spending habits affect the business?
- **Social**: how do population growth, age distribution, health consciousness, career attitudes, ethical concerns and public perception and opinion of the company's product and industry affect market/customer demand and sentiment?
- **Technological**: how does the changing technological landscape affect the business and its product? How do new ways of producing and distributing goods and services and communicating with target markets affect the business?
- **Legal/regulatory factors**: how do regulations and laws regarding health and safety, equal opportunities and other employment laws, advertising, consumer rights, production methods, product labelling and product safety affect the business? How do these concerns vary across different territories?
- **Environmental**: how do increasing concerns about the environment such as those about pollution and sustainability affect the business?

OVER TO YOU

Activity 4: PESTLE analysis in action

Choose a well-known multinational company. Imagine six scenarios – one to fit each of the six PESTLE concerns – that could affect this company's profits or production process and write down a brief description for each.

The organisation's marketing environment

This refers to the factors and forces that affect the ability of a business to build and maintain successful relationships with customers. It comprises the elements set out in Table 8.

Internal environment	The forces within a company that affect its ability to serve customers – including human resources, financial resources, corporate factors and logistics

External environment – ***micro-environment***	The immediate distinct external factors that have an impact on an organisation and its ability to serve its purpose and meet its objectives – including customers, competitors, suppliers and third parties
External environment – ***macro-environment***	The wider societal forces that affect the organisation's ability to run – including political, economic, sociological, technological, legal and environmental (PESTLE)

Table 8: The marketing environment

REVISION on the go

These three environments are all inextricably interlinked, and changes in these environments will lead to repercussions in other environments that may require a reaction.

! NEED TO KNOW

"Macro" and "micro" are also terms used in economics to denote matters pertaining to the economy as a whole (macro) and to matters pertaining to economics within an organisation (micro).

REVISION on the go

The parable of the boiled frog

This parable describes a frog slowly being boiled alive. If it is placed suddenly in a pot of boiling water, it will immediately try to jump out. If, however, it is place in tepid water which is gradually raised in temperature, it does not notice the slow change and will be metaphorically boiled alive.

When applied to a marketing context, it refers to companies that die a slow death and fail to notice or remedy the gradual but serious signs of decline within their business or industry. It is a tale of warning to businesses to constantly analyse their and their industry's performance and not to "stick their head in the sand".

The most successful companies in the long term are those that are able to move with the changing times and see the warning signs, diversifying or divesting before the rot really starts to set in. In some cases it is a question of cutting losses rather than continuing to support a dying business.

The learning to take from this parable is that an organisation must be continually assessing and analysing the internal and external environments for changes that impact the running of the organisation and its ability to meet its objectives, so that it can adapt in the required manner to survive.

International marketing strategies

Once a business has secured its foothold in its domestic launch market, it may seek to expand into other territories. With this approach comes a raft of new considerations and risks that should lead to a separate (but connected) marketing strategy. Each territory the company chooses to expand into will require a different approach. One size does not fit all.

International competitive environment

This is the wider global system in which a business competes if it chooses to expand internationally. The state of this system and its many moving parts will dictate how flexible the new entrant is able to be.

Larger companies that are trading across the world will enjoy economies of scale due to their size, meaning entrants into the markets they are already operating in may find it difficult to compete on price. It takes a long time to establish international production partners, distribution routes and local production plants.

The danger of not developing a global business strategy is that it can have a knock-on effect even in the domestic market. Powerful **multinationals** can harness the aforementioned economies of scale to drive down price, have larger research and development budgets and can better replicate their success in new markets.

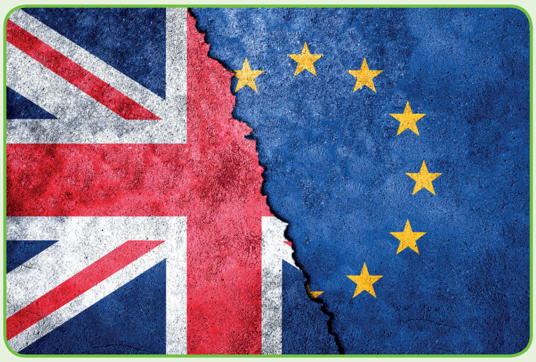
World trading environment

The economic conditions across the world affect the prices of the inputs and how much the outputs can be sold for. Trade tariffs and other protectionist measures, free trade agreements and other restrictions and co-operative efforts all play their part in affecting how difficult a company will find it to expand internationally. Exchange rate fluctuations make it very difficult to plan for the future and assess medium-term profitability, and changes in them can be seriously damaging or beneficial to a company, depending how their costs and sales are spread over various currencies.

Major political events may also cause problems or cause a business to act more cautiously or change decisions – for example political coups and even the uncertainty Brexit (see the case study below) has caused in the UK and how it has driven certain multinationals to move their European headquarters to other countries. Likewise natural disasters can have a huge effect, as can regional labour shortages.

CASE STUDY: THE WORLD TRADING ENVIRONMENT

One year after the UK voted in favour of leaving the European Union, the British economy was affected in the following ways:



- The value of the pound fell 15% compared to before the vote, leading to inflation rising to a four-year high of 2.9% by the end of the first year after the vote and real wages falling as a result.
- Investment fell by 0.9%, the first calendar year decline since 2009.
- The Bank of England predicts business investment to be 25% lower by 2019 relative to pre-Brexit forecasts.

While there are other contributing factors at play, these issues were chiefly attributed to the effect of Brexit and its knock-on effects.

Source: Chu, B. Cox, J. Rodionova, Z. (2017) "Brexit: The economic and business cost to Britain one year after the vote", Independent. Retrieved from: http://www.independent.co.uk/news/business/news/brexit-latest-news-business-economic-costs-banks-one-year-vote-anniversary-eu-exit-a7802596.html.

Social and cultural considerations in international marketing strategy

It is absolutely crucial for any successful international marketing strategy to pay careful attention to local considerations. At worst, being unaware of them could cause offence and create a PR disaster; at best the campaign will miss the mark and be a complete waste of money. In some (particularly larger) countries, these may even vary on a regional scale.

These considerations include local and national customs, traditions, manners, culture and laws, religious observance and plurality, the socio-economic landscape and linguistic factors including local dialects.

There are a huge number of potential stumbling blocks for those who fail to appreciate these differences and subtleties. It is therefore prudent for businesses wishing to expand into new territories to employ or contract people local to the markets who will be able to provide expert, authentic guidance on such matters.

OVER TO YOU

Activity 5: Considering social and cultural factors

Think of two examples across the world of social or cultural considerations that a brand might need to be aware of, and how this could affect them. Make your notes here.

Globalisation and alternative strategic responses

Globalisation (or "mondalisation" as it is known in some parts of the world) is the process by which the world has become more interconnected, in all areas of business and indeed the daily life of customers.

From a business perspective, this means organisations are able to grow and actively operate on a global scale, having market presence and influence across multiple territories and cultures. Before globalisation, a company would have aimed for national dominance with possibly some exporting activity, but now they are able to become truly multinational.

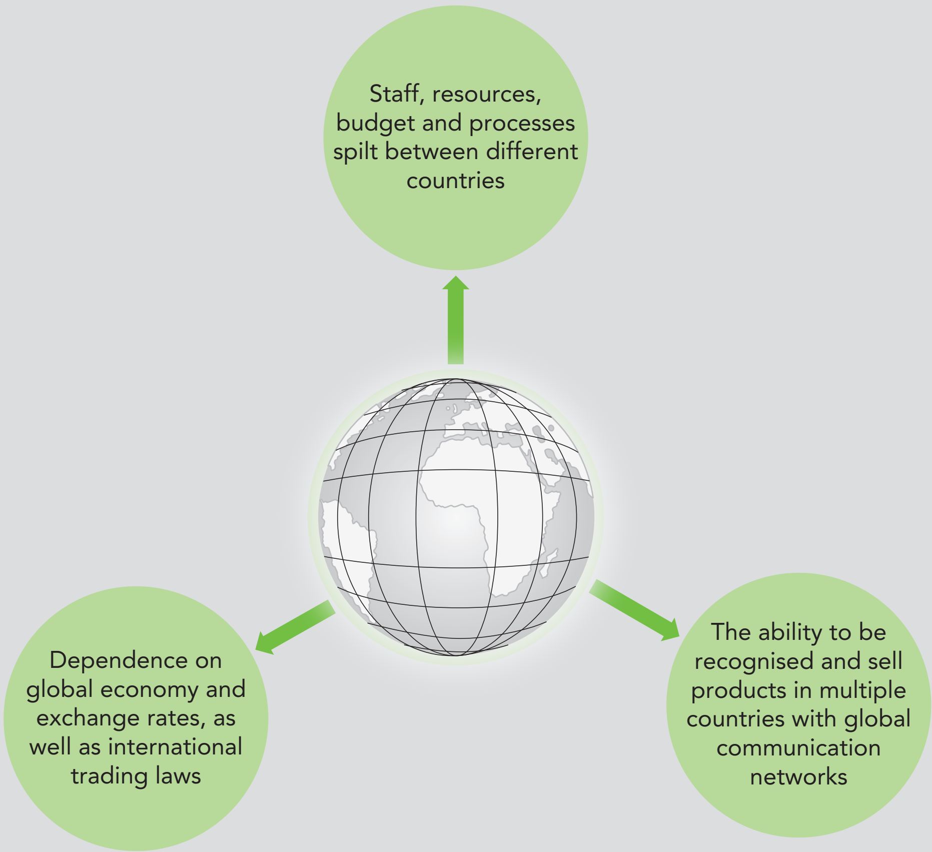


Figure 5: What does globalisation mean for a business?

REVISION on the go

Transport	Technology and communication	International political and legal co-operation
Increased speed and decreased cost of international travel since the early 1900s meant that goods and people could travel internationally much faster and at a lower cost	Initially, the rise of the telephone and then (more recently) the growth of the Internet and email communication meant companies could operate across territories efficiently, and sales could be made internationally too	The growth in globalised politics with the creation of international institutions such as the World Trade Organisation and the International Monetary Fund led to increased trade deals across international markets when leaders of each country saw the social and economic benefits of importing and exporting across borders

Table 9: Key factors that have led to globalisation

REVISION on the go

Global marketing strategy

A global marketing strategy is one that encompasses countries from several different global regions and seeks to co-ordinate a company's marketing efforts in these markets.

Standardisation versus adaptation

While it is true that "global brands" – ones whose messaging and products are vastly similar the world over – are becoming increasingly prominent, it's still important to adapt to new markets.

This is most significant when an organisation is entering a new international market. In this scenario, an organisation must decide how to tailor the marketing mix to the new marketplace, taking into account local interests, behaviours and trends.

Some uses of the marketing mix as applied in the domestic and existing markets may still be appropriate to be rolled out with little change in new markets; however, after examination some may need to be adapted for a variety of locally-relevant reasons.

There are two key approaches here:

- **Standardisation**: using the same marketing mix regardless of the market.
- **Adaptation**: changing the marketing mix to meet the needs of a specific market.

Here are some considerations that may impact using a standardised or adaptation approach to the marketing mix:

- budget
- audience segments
- competitor landscape
- local trends
- local purchase behaviour
- cultural or linguistic traits
- extent of brand awareness

For example:

- Fast food giant McDonald's use a standardised marketing mix in international markets as they have significant brand recall and a large budget.
- A small local beauty brand may have used a press-focused marketing mix with in-store sales in their primary market, but when adapting to international markets may choose to use more social media and online sales, in line with behaviour in the new markets, and a limited budget.

Global strategy drivers

For global marketing strategy to succeed, a strong framework is needed whereby global executives can ensure that everyone who works for the company's marketing efforts across the world is aligned. Table 10 shows the principles it should be driven by.

Driver	Explanation
Connection	All marketers must understand the market reality and future at both local and global levels, local teams need to know how their efforts help the brand on global level.
Inspiration	All global and local brand activities must focus around the brand's "universal insight" or guiding principles which inspire employees as well as consumers.
Focus	Global and local team must commit to highly specific overarching targets, making the global marketing department as accountable as all others.
Organisation	The organisation must clarify roles and responsibilities and operational model for each marketing team from the outset and enforcing these.
Building	Develop processes to facilitate shared learning and communication between marketing teams/departments, reward those who excel and foster culture of excellence, ensure internal support network is in place to help motivate and train teams.

Table 10: Global marketing strategy drivers

REVISION on the go

Regional strategy

How marketing strategy manifests itself on a local level will depend both on the considerations for that market and on the global campaign objectives. Typically a company will enlist **strategic partners** for specific regions who are able to offer either local expertise or access to local networks and distribution channels.

Global strategic brand management

It's crucial for a company to understand the behaviour of their different customers across the globe and how their brands are perceived by these different groups. Global brands not only compete against other global brands, but also against national and local ones, so it's essential to ensure that their own brand stands out in the right way. This is achieved both by communicating clearly the product benefits and advantages over those of competitors and also by engendering goodwill towards the brand as an entity and increasing general awareness about it.

Successful global strategic brand management requires continual investment in research and development, publicity, experiential and customer services, as well as in-depth measurement and analysis on the effects of this.

The **brand concept** should be seen as an instrument used to sell the product or service itself. It is important that no matter how much variation marketing strategy has across different local markets, the brand remains pure and undiluted and its principles and selling points are consistent and clearly communicated.

CASE STUDY: A GLOBAL BRAND

McDonald's may sell different products across the world aside from its famous burgers and fries – such as curries in India – and may be run by local franchisees, but people know what to expect when they go there in terms of the quality, taste, core range of products and service.

2.2 The role of market segmentation and competitive positioning

Markets and contemporary marketing strategies

Recent years have seen marketing strategies develop and shift at what is perhaps an unprecedented rate due to the rise of social media, online shopping and other technological advancements. These and other social, political and cultural forces have changed the business and marketing landscapes drastically. While many of the guiding principles of what might be termed "traditional" marketing still largely hold true, newer strategies have been devised to cope with the rapidly changing times.

An organisation must define their competitive advantage, perhaps using Porter's Generic Strategy, and develop a marketing mix that responds to the assessment made as part of this.

Marketing strategies and different strategic models

There are a wide range of marketing strategies for businesses to choose from, with a range of different models that can help companies to choose the best route to realise their objectives through.

Approaches to strategy formulation

A business' changing objectives and challenges will dictate which marketing strategies it pursues over time. Whittington's Four Generic Approaches to marketing (see Table 11) outline a range of options that give a business the flexibility needed to respond to changing needs and conditions[13].

Approach	Goals
Classical	Profit maximisation
Evolutionary	Survival
Processual	Profit maximisation and realisation of personal goals of employees
Systemic	Meeting cultural and societal needs while maintaining profit

Table 11: Whittington's Four Generic Approaches

13 Whittington, R. (2001), *What is Strategy and Does it Matter?* Cengage Learning, EMEA

The classical approach

This refers to the long-term planning approach of using resources in the best way to maximise profits. It is referred to as a **rational** system, outlining that organisations are guided by their own profit-driven objective, with the CEO providing the top-down motivation. The organisation uses systems like the PESTLE analysis to achieve its objectives. Strategy is planned and crafted by management and communicated down through the organisation. It pays little regard to the macro-environment that the organisation operates within.

The evolutionary approach

This assumes that the environment the business operates in is constantly changing. It infers Darwin's "survival of the fittest" dogma with regards to a strategy's role in ensuring the success of the organisation. The changing environment is considered to be too unpredictable to make large strategic planning investments worthwhile, and so high profitability is sought by increasing efficiency, keeping costs low and options open and avoiding long term commitments where possible.

The market automatically selects the "fittest" organisations by a process of natural selection, while those who do not adapt will fail. The belief is that an organisation's success is more due to its environment than to its managers, and that differentiation is key to success in this paradigm.

The processual approach

This denies the value of long-term strategic planning, and instead of trying to force changes it involves choosing to accept the way things are and to work around them. It attempts to work with processes that already exist within an organisation and encourages employees to present their personal goals within the company and visions for it, with a consensus approach to picking which should be adopted. It prioritises internal development over external development, putting pride of place on knowledge within the organisation to set it apart from competitors. It develops strategy through action, not planning. It believes that an organisation without the required skills and management will fail whatever happens, and so ignores new opportunities presented by the market.

With so many opinions, goals and potential strategies coming from various sources within the organisation, there is a challenge of how to manage the whole process as decision-making is usually formulated on a hierarchical level.

The systemic approach

The idea here is to "play by the local rules", with strategy following a similar methodology to the classical approach but instead choosing social and cultural goals while maintaining profit rather than purely focusing on profit maximisation. The objectives of the strategy depend on the local cultural and social context that the company works in, with pluralist goals and no "best" method of strategy formation; instead, strategy is seen as a collective process that is the result of the organisation's benevolence. It involves a degree of trial and error.

! NEED TO KNOW

How successful a strategy is deemed to be will always be judged by whether the desired objectives have been achieved, regardless of which approach has been taken.

REVISION on the go

Competitive strategies

In terms of strategy directed towards competitors in the market, there are a multitude of options for organisations to adopt.

1. **Build strategies**: these are aimed at building a competitive advantage, focused around enhancing the current one, making moves to become a low-cost or differentiated producer as outlined previously.
2. **Defensive strategies**: these aim to fend off "attacks" from competitors by using competitive advantage to maintain current or near-current market share. They can be divided into active strategies (such as cutting price, adding discounts and product incentives increasing advertising and promotional efforts) and passive ones (such as product innovation, store expansion and reactivating ex-customers). They are less risky than aggressive strategies, and generally work towards improving products. Businesses who enhance the benefit of their products can effectively devalue their competitors in this way.
3. **Divestment**: this involves downsizing business activity by, for example, pulling products or removing entire departments. The aim is to remove unprofitable or unmanageable areas of the business where the market share for these products is too small for them to be competitive or when the market is too small to provide the expected rates of return. Historically this has often happened following periods of companies pursuing growth strategies when mergers, acquisitions and takeovers led to big companies acquiring businesses with operations in areas that they had little experience in. They would later shed many of these areas to instead focus on areas in which they had a competitive advantage.
4. **Harvesting strategies**: these involve halting marketing activities relating to a product when its revenues reach a saturation point where additional investment into it would not likely yield growth or higher profits. This revenue can be better diverted into products and areas with higher potential for growth, thus increasing the value of the company. It may be implemented proactively when the growth rate of the product is slowing and has not yet reached the point of saturation.
5. **Holding strategies**: these are aimed at maintaining current market share. It is logical to pursue a holding strategy when market share is satisfactory and highly profitable and the investment needed to build further share is excessive and highly risky. These are possibly the most common strategies employed by established, mature companies in mature markets.
6. **Niche strategies**: these provide a marketing approach for a product or service with features that appeal to a specific minority sub-group within the market. Products applicable to this strategy are highly distinguished from other products and are produced and sold for specialised uses within the corresponding niche market. The knowledge, skill and expertise required to make this product may make it unattractive for competitors to try to replicate or supersede it. Successful niche strategies involve continuously being aware of and implementing changing niche customer needs and feedback.
7. **Offensive strategies**: actively pursuing change in the industry by investing in product development, research and technology, acquiring other firms, competing on price, offering similar products to competitors or increasing marketing efforts with the ultimate goal of taking away market share from competitors.

OVER TO YOU

Activity 6: Pursuing the right strategy

Imagine you are the CEO of Apple Inc. Which of the seven strategies listed above would you choose to pursue, and what would your key decisions be in doing so? Write down a paragraph explaining which, why and how.

Competitive advantage

In terms of a product or service, value can be defined as the difference between the cost to the company of producing something and the price that the consumer is willing to pay for it.

Returning to the concept of the value chain that we looked at in Chapter 2.1, this can be used to analyse where a company's competitive advantage lies.

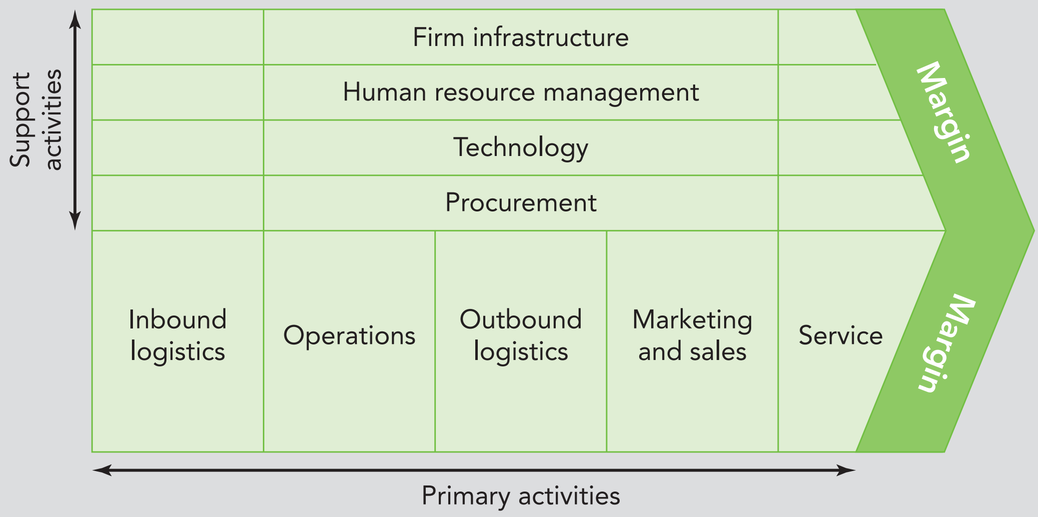


Figure 6: Porter's Generic Value Chain

As we learned before, competitive advantage is either based on **cost** or **differentiation** and the two factors are mutually exclusive across the four bases that we identified:

- lower cost than competitors (*cost leadership*)
- better product than competitors (*cost focus*)
- product made differently to competitors (*differentiation*)
- product creates unique benefits (*differentiation focus*)

A value chain analysis is intended to help businesses see how they compare with competitors, analysing in detail which of the component activities in it could incur costs or give a differentiation or advantage or disadvantage. While the activities of an organisation might not exactly mirror those in Porter's definition (see Figure 6), the principle of examining which activities and departments add the greatest value is the same in any context. What is crucial for it to work as a tool in identifying competitive advantage is that the value chain must also be applicable to the organisational structure of other competitors within the chosen industry.

Questions to ask when performing a value chain analysis are summarised in Table 12:

Question	How to answer
Which activities create a differentiation advantage?	Differentiation comes from the way individual activities are performed, how they link together and how the value chain is structured. Is there anything in the way an activity is performed which makes it special for the customer?
Which activities incur significant costs?	Costing does not need to be precise, only approximated, but pay attention to which costs are direct and which should be apportioned based on various assumptions.

Table 12: Value chain analysis

REVISION on the go

Service and competitive advantage

SERVQUAL is a strategic tool used to capture consumer expectations and perceptions of a service built around five dimensions that judge service quality (see Figure 7). As such, it can be used to identify the comparative advantage of a service.

These five dimensions are known as RATER:

Reliability

Assurance

Tangibles

Empathy

Responsiveness

Service quality is understood to be the extent to which consumers' expectations of a service meet the reality.

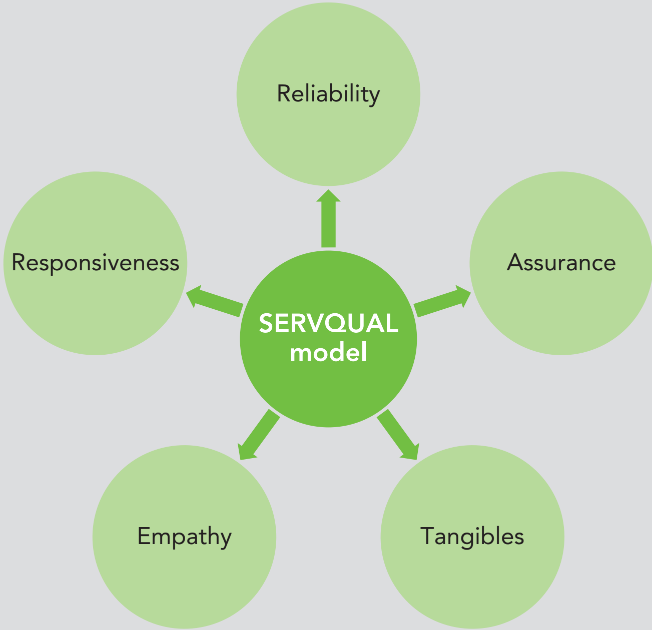


Figure 7: SERVQUAL model

Table 13 explores these dimensions in more detail:

Dimension	Description
Reliability	Ability to perform the service dependably and accurately as promised
Responsiveness	Willingness to help customers and to provide prompt service
Assurance	Knowledge and courtesy of employees and their ability to convey trust and confidence in the service
Empathy	The emotive caring and individualised attention that is provided to customers
Tangibles	Appearance of the service's physical manifestation (e.g. equipment, personnel, communication materials)

Table 13: RATER dimensions

If a service provider can consistently deliver on all these dimensions, it is believed that customers will reward the provider with their loyalty.

OVER TO YOU

Activity 7: Understanding SERVQUAL

Think of a service provider you have used recently. Briefly assess them through the five SERVQUAL dimensions and decide whether you would recommend them to a friend based on their performance in this analysis.

Market segmentation

The nature and purpose of segmentation

A segment is a group of consumers (or organisations in B2B marketing) who share similar characteristics.

Market segmentation is when a business divides a market of potential customers into sub-groups, or segments, based on different characteristics.

These segments comprise different types of consumers who are believed to respond similarly to marketing strategies and who share common factors like similar interests, needs, locations, buying habits and so on.

The purpose of segmentation is to be able to market in more effective, efficient, targeted ways, thus reducing the chance of an unsuccessful marketing campaign. It also allows companies to prioritise certain segments who may yield them higher profits and to pour additional resources and investment into servicing their needs.

Table 14 outlines the four key methods of market segmentation.

Type of segmentation	How segment is identified
Demographic	Demographic variables such as age, income, family size and socio-economic status
Geographic	Geographic constraints, from zip codes all the way through to continents
Behavioural	Historical behavioural data such as purchase and usage frequency, user status (first time buyer, regular buyer, previous buyer, non-user), loyalty status, purchase readiness, adopter status (late, early), sentiment towards product/service type and the way in which they use the product/service

Psychographic	Activities, interests and opinions, how people respond to external influences and how they spend their leisure time

Table 14: Methods of market segmentation

REVISION on the go

Competitive positioning

Positioning is how customers perceive different organisations, brands, services and products. This is usually based on a number of factors relating to the product or service and how it is presented, and these factors define the marketing mix.

Combining different strategic elements gives a business its competitive positioning, which describes how it differentiates itself within its industry and creates value for the market. Successful positioning will make the company's identity, purpose and offering clear to consumers and will be formed across the pillars outlined in Table 15.

Pillar	Description
Market profile	Size of market, strength of competitors, market stage of growth
Customer segments	Groups of potential customers with similar wants and needs
Competitive analysis	Strengths, weaknesses, opportunities and threats in the competitive landscape
Method for delivering value	How the business delivers value to the market at the highest level

Table 15: Pillars of competitive positioning

REVISION on the go

Having clearly defined and recognisable brand positioning enables companies to compete on more than just price, which is not a viable long-term strategy. It is a strategic decision which informs all elements of business operation.

Competitive positioning is the combination of strategic elements by the organisation in such a way as to manipulate the customers' perception of the product, usually based on two key variables.

When an organisation makes a decision about its intended positioning – i.e. how it wants to be perceived in the market by customers and potential customers – it will typically create a perceptual map.

A perceptual map shows two key attributes on the X and Y axes, and then places competitor products where they are appropriate (see Figure 8). This allows an organisation to strategically identify gaps they can fill in terms of positioning, and apply the marketing mix accordingly to do so.

For example an organisation may map competitors on value and price and discover that there are no products occupying the "high quality, high price" area on the map, and therefore decide to build a marketing mix around this intended positioning.

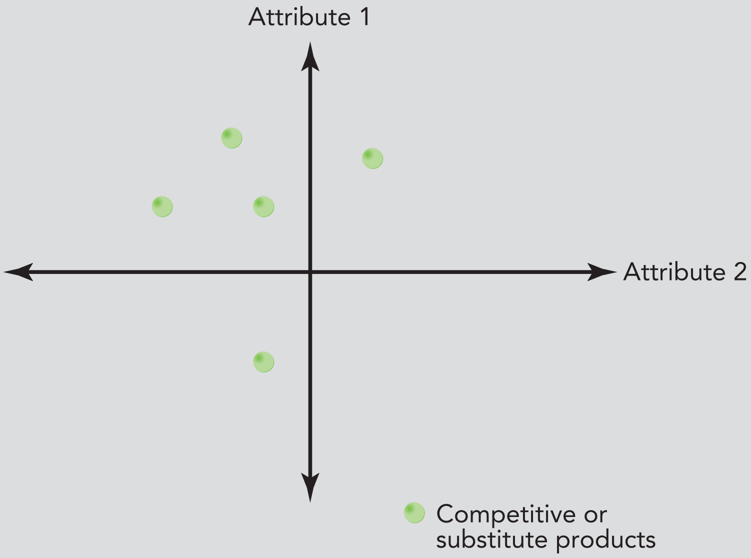


Figure 8: A perceptual map

Product positioning

Product positioning is the marketing process whereby the benefits of a product or service are presented to a particular target audience. Using focus groups and market research, it's possible to identify which segments will react most favourably to a product or service, and this is part of the process of market segmentation, as previously discussed.

Positioning does not refer to changing anything about the product; it refers only to how it is presented to the potential consumer, both physically and psychologically. That could include both pricing and packaging, but this is not changing the utility of the product.

Studies carried out to ascertain the most effective product positioning tend to capture qualitative (opinion) data and to then transpose those finding into a statistical method to demonstrate trends. Characteristics studied include reactions to products, features, packaging, pricing, appearance, branding and sales messaging.

! NEED TO KNOW

In segmentation, the largest group studied showing a favourable opinion will be chosen as the target audience, and their preferences from the options shown to them will then determine the product positioning.

Strategic branding

Identifying the brand's competitive advantages and implementing the positioning concept

A value chain analysis can also be used to identify a brand's competitive advantage, as opposed to applying it to the wider organisational level.

Once this competitive advantage is established, it's important that the visual and linguistic branding used to bring this brand to life is consistent with and communicative of the brand ideals, principles and advantages to the consumer. There is no use identifying a competitive advantage and then failing to relay it to consumers clearly.

The logo should make some statement about the products; the graphic design used in packaging and marketing materials should feel in line with an aesthetic the target market will identify with, and the way in which the brand promoted should also feel in harmony with their world view.

OVER TO YOU

Activity 8: Identifying competitive advantage

Choose a well-known brand that has a clear competitive advantage. Describe in a few sentences how their branding and the way in which their products are positioned and targeted relays this competitive advantage.

Repositioning strategies

Repositioning is when a company changes one of its brand's positioning within the market. A costly, long-winded and difficult to navigate process, it can reap rewards when done in the right way and with the correct insight. It is undertaken in order to keep up with the changing times and shifts in consumer wants, needs and perceptions.

Table 16 shows three key methods of repositioning, alongside the alternative, zero positioning.

Repositioning method	How it's done
Gradual repositioning	Planned and continuous adaptation to changing market
Radical repositioning	Major strategic change which is rapidly carried out in order to overcome ever-widening gap between brand offering and consumer desires
Innovative repositioning	Finding an as yet unexploited market opportunity and creating a strategic shift towards servicing it
Zero positioning	Maintaining positioning over time

Table 16: Key methods of repositioning

REVISION on the go

OVER TO YOU

Activity 9: Understanding repositioning methods

Think of a brand that has repositioned in recent years. Write down which of the three repositioning methods detailed above (gradual, radical or innovative) you believe it has used, and why you think that is the case.

Whichever model an organisation chooses to move forward with as it makes its strategic decisions and sets objectives, it must continually evaluate and consider the impact of the wider global and national environment. Continually performing evaluations that help the organisation to serve its consumers is a key part of the process, and this allows an organisation to thrive even in a fast-changing world.

READING LIST

- Khalifa, A.S. (2012), "Mission, purpose, and ambition: redefining the mission statement", *Journal of Strategy and Management*, Vol. 5, Issue 3, pp. 236–251. (This article will be available in your online student resources.)
- Ma, H. (1999), "Anatomy of competitive advantage: a SELECT framework", *Management Decision*, Vol. 37, Issue 9, pp. 709–718. (This article will be available in your online student resources.)
- Hassan, S.S. and Craft, S.H. (2005), "Linking global market segmentation decisions with strategic positioning options", *Journal of Consumer Marketing*, Vol. 22, Issue 2, pp. 81–89. (This article will be available in your online student resources.)
- Vignali, C. (2001), "McDonald's: 'think global, act local' – the marketing mix", *British Food Journal*, Vol. 103, Issue 2, pp. 97–111. (This article will be available in your online student resources.)

Summary

This chapter has encouraged consideration of the relevant environments that impact any strategy a marketer could work towards. For an organisation to build a strategy that reflects their overarching objectives, the mission and vision must first be established – and these must reflect the input provided by stakeholders. The relationship between corporate objectives and marketing objectives must be clarified in order to create a strategy that works towards these. Alongside this, there must be an awareness of the wider environment in which the organisation exists, including any competitors, and where the organisation is positioned in relation to this in the eyes of the consumer segment.

Chapter 3

Measuring the Impact of Marketing Strategy

Introduction

The way in which an organisation commands its employees and departments to realise its objectives is termed "control". In this chapter, we will compare and contrast different methods of control to understand their approaches and intentions.

Learning outcome

On completing the chapter, you will be able to:

3 Develop implementation plans and management control mechanisms to support a marketing strategy

Assessment criteria

3 Develop implementation plans and management control mechanisms to support a marketing strategy

3.1 Appraise the nature of control and critically evaluate different approaches to the control process

3.2 Critically evaluate the importance of implementation as part of the overall process of planning and control and assess the problems in implementing marketing plans

3.1 The nature of control and different approaches to the control process

Management of risk

Risk management refers to how an organisation defends itself against risk and how prudent it is in doing so. Different methods of control seek to manage risk in different ways and to different degrees.

Definitions of control

Robert J. Mockler's definition of control sets it out as the following:

> *Management control can be defined as a systematic effort by business management to compare performance to predetermined standards, plans, or objectives in order to determine whether performance is in line with these standards and presumably in order to take any remedial action required to see that human and other corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives.*
>
> *Mockler (1970)*[14]

Control concepts

The different types of control refer to the time and method in which control is applied in relation to those activities which it seeks to influence.

- **Open-loop control** (also known as non-feedback control): the system in which the output of the organisation has no effect on the controlling aspect that influences its inputs. All inputs are driven by set calculations and assumptions that envisage anticipated outcomes only.
- **Closed-loop control** (also known as feedback control): the system in which there are one or more feedback loops between the output and the inputs, meaning that they both influence each other.

Closed-loop control would seem to be the sturdier of the two, given that it allows for slightly amending the process based on its outcomes. However, they are not mutually exclusive and are usually combined into multiple control systems.

14 Mockler, R.J. (1970), *Readings in Management Control*. New York: Appleton-Century-Crofts, pp. 14–17

OVER TO YOU

Activity 1: Assessing control systems

Evaluate the advantages and disadvantages for open-loop and closed-loop control systems.

Write down three to five bullet points for both systems.

Managing the process and Marketing Information Systems (MIS)

Philip Kotler defines Marketing Information Systems (MIS) as:

> *People, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers.*
>
> *Kotler (2006)*[15]

This is a short way of describing a very large amount of information that will come from internal and external sources, including customers, competitors, salesmen, suppliers, strategic partners, media and government policy. The purpose of a well-oiled MIS is to help marketing teams make informed decisions about their courses of action.

The quality of this system is essential to the success of a business, as poorly gathered/assessed or incomplete information will not give the full picture required and could lead to poor decision-making. The way in which it is stored as well as gathered is also crucial as it will affect how easily it can be accessed, which is paramount for making timely and well-researched decisions.

15 Kotler, P. (2006), *Marketing Management*, 12th edition. Harlow: Pearson Education

Kotler defines the components of MIS as follows:

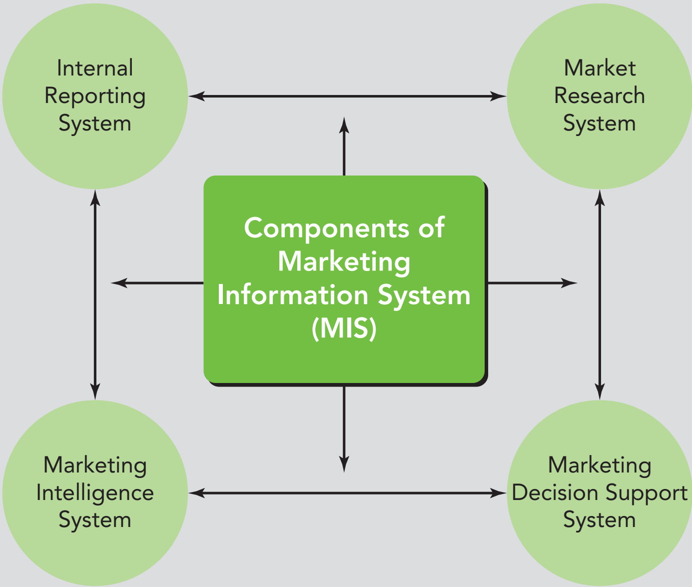


Figure 1: Components of Marketing Information System

REVISION on the go

1 **Internal Reporting System**: how all the records of marketing activity within the company are stored and accessed, such as records on sales, purchases, orders, the sales force reporting system, inventory, the ordering system, marketing staff, past research projects and other internal literature created by the company.

2 **Marketing Intelligence System**: how all external intelligence is gathered and accessed pertaining to developments in the marketing environment, the industry and competitors from sources like the press, the media, internet customers, dealers, suppliers, trade bodies and other professional sources. May be carried out by an external, specialised intelligence agency.

3 **Market Research System**: how "needs-based" information about specific market challenges is gathered and accessed from market data and qualitative and quantitative research carried out directly with consumers. Can be conducted by internal experts, although using impartial external professionals may be more prudent.

4 **Marketing Decision Support System**: how all the information from 1 to 3 is processed, analysed and acted upon via the organisation's collection of data, tools, systems, techniques and hardware.

CASE STUDY: MARKETING INFORMATION SYSTEMS

The company 3M, who make Post-it Notes® and Scotch Tape® and are active in over 60 countries, have introduced a $30 million online information system which gives senior executives access to information from their online database.

British retailer Marks & Spencer uses information harvested from customer credit cards to help tailor its marketing. It also revamped its process for supplying products to stores by using its customer database to identify consumption patterns.

Los Angeles restaurant chain Louise's Trattoria used information from customer receipts that were electronically stored in the firm's data warehouse to learn that its customers preferred "California Italian" to traditional Italian foods. It revised its strategy to fit with these tastes as a result.

Evaluation and control

There are many different approaches to control, and although they all fall under the previously defined control concepts of open- and closed-loop control, they are all markedly different.

Anthony's approach to control

Anthony's approach[16] focuses on managerial control and divides planning and control activities into three groups as outlined in the diagram below.

Figure 2: Anthony's approach

1. **Strategic planning**: focusing on the objectives and guiding principles of the organisation, with managers at this level steering the course of the company.
2. **Managerial control**: middle management ensuring that resources are used and acquired efficiently and effectively and ensuring that strategic planning and control goals are met.
3. **Operational control**: ensuring specific tasks are carried out efficiently and effectively and in a manner cohesive with the planning and control set out by the hierarchy. Decisions made at this level have little impact on the organisation as a whole.

Results controls

These are control systems which focus on acting upon the results produced by the organisation's operations. This entails results **accountability**: rewarding or reprimanding employees for their results accordingly.

16 Anthony, R.N. (1965), *Planning and Control Systems: A Framework for Analysis*. Division of Research, Harvard Business School

This influences actions because it makes employees concerned about the possible consequences of their actions and performance. Employees are not restricted in their behaviour, but are given the power and autonomy to take whatever actions they believe will deliver the required results.

Results controls will only be effective if the following conditions are met:

- Managers must know clearly what results are desirable.
- Managers must be able to clearly measure results (SMART objectives).
- Employees whose results are being measured must be able to exert significant and visible influence upon the results.

Table 1 summarises some of the benefits and disadvantages of results controls.

Benefits	Disadvantages
Behaviour can be influenced while allowing autonomy	Good results are not always perfect indicators of whether "good" actions were taken to achieve them
Generates greater employee commitment and motivation	Shifts the risk to employees
Often inexpensive as performance measures are usually already collected for other purposes	Can have conflicting functions: motivation (challenging targets) or good communication (conservative targets)

Table 1: Benefits and disadvantages of results controls

REVISION on the go

Action controls

These are control systems which focus on ensuring that employees perform only those actions which are beneficial to the organisation and therefore prevent undesirable behaviours.

Such systems are only effective if the following conditions are met:

- Managers must know clearly what actions are desirable.
- Managers must have the ability to ensure that these actions occur.

These can include physical constraints (such as locks, passwords and access levels), administrative constraints (such as separation of duties or restricting who has decision-making powers) and scrutiny and approval processes over budgets and action plans. These seek to provide direction and motivation to employees as well as reducing risks and increasing efficiency.

The actions desired must be clearly defined and communicated to employees and then assessed through tracking, observation and activity reports and employees must be rewarded or reprimanded accordingly depending on if and how the actions have been carried out.

Table 2 summarises the benefits and disadvantages of action controls.

Benefits	Disadvantages
Most direct form of control	Only works for highly routine-based jobs
Can engender "organisational memory": documentation of knowledge of what works best	Can discourage innovation, creativity and adaptation
Efficient method of co-ordination: increases predictability of actions and reduces information flows needed to achieve co-ordinated effort	Can cause sloppiness
	Can cause negative attitudes as there is little room for self-expression and autonomy
	Can be very costly

Table 2: Benefits and disadvantages of action controls

REVISION on the go

Financial controls

These are used to evaluate how successful strategic decisions have been in meeting the organisation's objectives. When organisations use a single measure to provide a broad assessment of operations, they often use a financial metric because their shareholders will already use such figures to evaluate the organisation's overall performance. Financial controls could also be applied at the product or departmental level as well as at the organisational level in order to influence spending behaviour and to ensure funds are being used efficiently.

People controls and behavioural factors

These systems seek to assert influence over the type of people employed by an organisation and the values and behaviours that they exhibit. They seek to ensure that employees will control their own behaviour as well as that of their fellow employees.

They can be broken down into the following categories:

- **Personnel controls**: recruitment policies, job descriptions and design, training, mentoring and provision of necessary resources.
- **Cultural controls**: also known as "mutual-monitoring" in reference to how employees moderate each other's behaviours, built on traditions, norms, beliefs, emotions, ideologies and attitudes.

Cultural controls can be shaped in ways outlined in Table 3.

Method	What it entails
Codes of conduct	Codes of ethics, mission statements, company HR policies, formal written documents outlining expected and desired behaviour
Group-based rewards	Bonuses, profit sharing, stock options
Intra-organisational transfer	Improving socialising and co-operation between different departments and engendering feeling of belonging to organisation as a whole working towards mutual goals instead of identifying only with one's own department
Physical and social arrangements	Dress codes, interior design and decor, office plans
Management tone of voice	Ensuring that all statements, communication and behaviour from top-level management is consistent with the culture that they have outlined for the organisation

Table 3: Methods of cultural control

REVISION on the go

OVER TO YOU

Activity 2: Understanding control mechanisms

Think of organisations or businesses you have worked in. Can you identify three cultural control mechanisms they had in place?

Re-read Table 3 and write down three cultural control mechanisms you have worked under.

Performance assessment

Business managers setting standards for employees face a similar dilemma to parents deciding what standards to set for their children: how to choose standards that will achieve the best outcomes while still making them feel acceptable to everyone.

Setting these standards and continually evaluating how well they have been met is crucial to assessing the efficacy of a control system and whether it should continue to be used.

Criteria and metrics

These should be set using the SMART objective criteria set out earlier in this chapter: Specific, Measurable, Achievable, Realistic and Time-bound. It is important to not only measure metrics but also to analyse how performance and actions may have impacted upon them.

It is a common trap to assume a **causal relationship** between an action and an outcome, and particularly at the individual level some qualitative assessment is required to ascertain whether the control system is having the desired effect.

It is also crucial that all employees understand what they are being assessed on and that standards are very clearly communicated.

Audits

A management audit seeks to assess how well management has been operating an organisation, and in so doing can lead to improving the system of control which is in place. It looks at the non-financial data available, drawing on qualitative analysis.

Objectives for a management audit will generally include:

- establishing the current level of effectiveness;
- suggestions for improvement;
- laying down standards for future performance;
- increasing levels of service quality and performance;
- establishing guidelines for organisational restructuring;
- introducing management information systems to assist in meeting productivity and effectiveness goals or re-hauling existing ones;
- establishing how better to use resources due to programme improvements.

Gaps and opportunities

Auditing will generally take the form of questionnaires or interviews with management and employees, with special attention paid to comparing and contrasting their answers to see what gaps there are between managerial aspirations and the reality of working under their management.

Identifying such gaps creates opportunities for meaningful change within the organisation and can enable the internal machinery of control to function better. A control system breaks down if actions do not lead to the desired results, and if management's and employees' experience of this system is not consistent, there is clearly a problem.

OVER TO YOU

Activity 3: Auditing techniques

Perform a mini-audit on an organisation you have worked within. Write down three issues about the functioning of the organisation and the ways in which these could be improved.

3.2 The importance of implementation as part of the overall process of planning and problems in implementing marketing plans

Implementation in marketing is the process of executing marketing strategies by creating specific actions that aim to achieve the specified marketing objectives. Carefully planning and strategising is only half the battle when it comes to achieving marketing objectives; how those plans are brought to life and carried out is the other half.

Implementation processes

A solid implementation plan should do the following:

break down each strategy into distinctive steps

↓

assign each step to one or more people

↓

give a timeframe for completion of the step

Without a coherent implementation plan like this, strategy is defunct and it is a waste of time to pour resources into it.

The steps that the strategy is broken down into should be set using SMART criteria. The most suitable people for each step should be chosen based on their skillset, experience and existing workload, and it may be that external personnel are required. It's important to set the right expectations for the marketing plan, allowing enough time for it to be carried out properly and at the correct pace. Everyone involved in the implementation of the plan needs to be acutely aware of the timeframes, as well as having the overarching strategy clearly communicated to them – not just the elements that they are working directly on.

It will generally be desirable to set up a measurements dashboard which is accessible to all key stakeholders where key success metrics such as KPIs (key performance indicators) and ROI (return on investment) are tracked and updated regularly. This could take the form of a daily, weekly or monthly report.

Good results should be communicated and celebrated, and plans should be flexible enough to allow for adaptation in the face of unexpected or undesirable results, or to harness positive ones further.

The importance of internal marketing

If marketing is the external mouthpiece of the business, everyone in the business needs to understand what is being said and how it is being said.

Internal marketing is all about getting employees on board with business plans and objectives. It's a question of clearly communicating these plans and creating excitement and belief in them in order to have a highly motivated workforce who understand and believe in what the organisation is driving towards and who understand the brand inside out.

Internal marketing can take the form of internal email newsletters and updates, intranet resources, reports, presentations, meetings, bulletin boards, staff magazines and literature, days out and bonding exercises, site and factory visits and so forth. Crucially, every member of the organisation needs to feel like they are an important part of bringing the marketing plans to life, and internal marketing is the key way in which to ensure this happens.

CASE STUDY: EXAMPLES OF INTERNAL MARKETING

Starbucks have created physical facilities and exhibits when launching a new product internally to immerse their employees in the brand experience and get them on board with it.

A rebranding of computer electronics manufacturer Hewlett-Packard saw the company's new tagline "Invent" also being used as an internal mantra, and the garage in which the company's founders started the company became a symbol of their internal communications.

Marshal, J.F. (2013), "How Starbucks, Walmart and IBM launch brands internally and what you can learn from them", Forbes. Retrieved from: https://www.forbes.com/sites/onmarketing/2013/04/09/how-starbucks-walmart-and-ibm-launch-brands-internally-and-what-you-can-learn-from-them/ (Accessed on: October 2017)

Internal fit

Internal fit is the degree of alignment between an organisation's strategy and its configuration of process, technology, people, hierarchy/structure and culture.

Porter[17] defined different degrees of fit as shown in Table 4:

Degree of fit	Meaning
First-order	Consistency between each business activity and the overarching strategy
Second-order	Where activities are reinforcing
Third-order	Optimisation of effort

Table 4: Porter's degrees of fit

Strategic fit among and between activities is crucial to competitive advantage and also in maintaining that advantage. When alignment is occurring, the different activities work in harmony and mutually reinforce each other – meaning that it is not possible to change any one activity without affecting the others.

Improving implementation

Sub-optimal performance at the organisation, whether at the departmental or individual level, indicates internal and/or external misalignment. If the misalignment is internal, it can just be a question of realigning current processes and structures. If it is external, then a change in strategy will be required for improved performance to be achieved.

Causes of weak implementation

Poor marketing plan implementation can arise due to:

- unclear business objectives;
- lack of business ownership;
- lack of management support;
- lack of involvement and dialogue with people tasked with actioning the plan steps;
- lack of formal project management;
- lack of resources;
- lack of preparing employees for change;
- weak project design and implementation strategy;
- unrealistic expectations.

Implementation capabilities

An organisation's implementation capabilities are understandably a key driver of the success of its strategic outcomes. These capabilities are affected by:

- **External pressures** arising from the macro-environment the business operates in, such as social, political, technological, environmental and legal concerns.

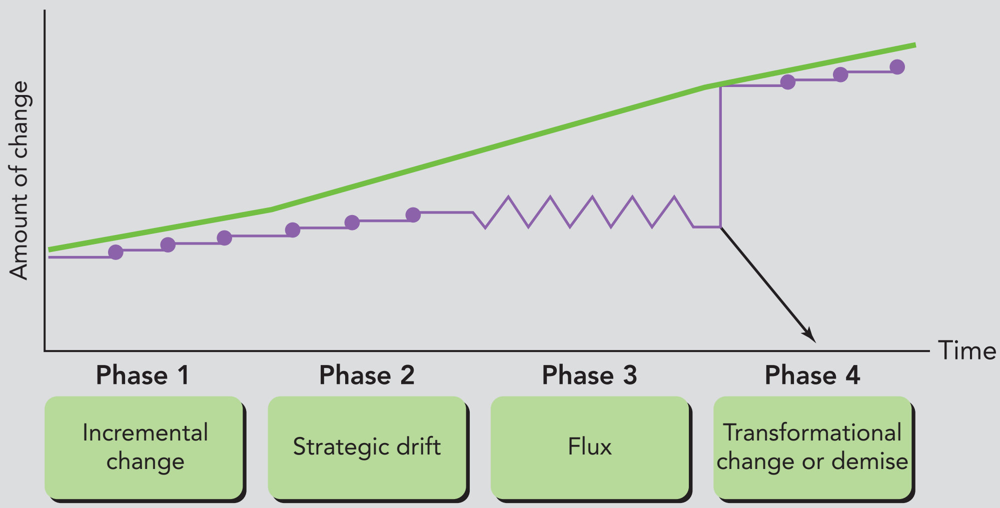
17 Porter, M.E. (1996), "What is strategy", *Harvard Business Review* (November/December) [online]. Retrieved from: https://hbr.org/1996/11/what-is-strategy [Accessed on: 01 October 2017]

- **Internal pressures** such as leadership style and efficacy, culture, processes, policies, resources, control procedures, marketing feedback, the role of marketers and how marketing interacts with other business activities.

Strategic "drift"

When an organisation is unable to keep pace with the changing environment and its strategy is no longer relevant to the environment it operates in, this is termed strategic drift (see Figure 3). If the strategy is not altered accordingly then the organisation is likely to fail.

This usually occurs when there is a change in one of the external pressures outlined above and the organisation is unable to adapt to it. It may also occur when senior management become complacent or are in denial about a problem, or upon the realisation that a competitive strategy that previously worked no longer works.



Phase	What happens
Incremental change	Small, gradual changes in environment. Organisation remains stable through small, gradual changes in strategy.
Incremental change	Rate of change in external environment is increasing. Small strategy changes are not enough to keep up. Organisation is losing competitive advantage.
Flux	Management indecision, divergence of opinion and/or inaction causing drift to accelerate.
Transformational change or demise	Management ether recognises need for serious change or organisation fails.

Figure 3: Strategic drift

CASE STUDY: STRATEGIC DRIFT IN A GLOBAL ORGANISATION

Mobile phone manufacturer Nokia experienced a significant period of strategic drift in the early 2000s. After establishing itself as a market leader, it began to pay insufficient attention to external developments in the mobile telephony market, instead focusing on developing high-end handsets and increasingly complicated software which the market was not ready for. The slow growth in demand for more advanced mobile phones caused Nokia's competitive advantage to dissipate.

Thankfully for Nokia, it adjusted its strategy quickly enough to save itself. It aggressively launched new models of phones at reduced prices which were built and designed to fit with their remaining competitive advantage, and soon recaptured its market share.

Source: http://www.hajarian.com/esterategic/tarjomeh/2-90/ebrahimzadeh1.pdf

Strategic "dilution"

This happens when there is a lack of drive by management behind the outlined strategy, meaning that more focus is put on operational decisions than strategic goals. It can come from trying to achieve too many objectives, or from poor communication of strategy down the organisation from senior management level.

Poor communication of strategy can be avoided by "empathically engineering" messages so that managers deliver strategic communication in their own authentic tone of voice and style while still conveying the strategy accurately. Furthermore, creating effective channels to relay this information will help avoid strategic dilution.

Stakeholder commitment

Stakeholder commitment – or stakeholder "buy-in" – refers to the confidence and belief that those involved in the implementation process have in the strategic vision that has been outlaid and how it is to be carried out.

This is a question of motivation. As such, it is important to identify those who do not appear to be "on board" with the plans and to listen to their concerns, to see how they might be reassured or how their feedback could be used to further shape the implementation plans and their role in them. This process should be continued throughout implementation.

Strategy is most effective when everyone believes in its common goals and the ways in which it has been decided to achieve them. Dissenting voices can cause issues, disunity and a demotivated workforce so it's crucial that all concerns are heard and addressed.

OVER TO YOU

Activity 4: Stakeholder buy-in

Think of an instance in a previous job where you have experienced a lack of stakeholder "buy-in" in the plans of an organisation.

Were you consulted about your opinion? What could have been done to get you "on board"?

Write down a few thoughts, even if they only relate to casual work, volunteering or group activities.

Monitoring skills/competencies required for implementation

Implementation is most efficient when every person involved knows exactly what their role is and is well suited to it. Skillsets, strengths and weaknesses should be assessed prior to implementation roles being assigned to ensure that this happens. These assessments should already be being carried out as part of career development and employee review processes.

As implementation is carried out, the application and efficacies of these skills and qualities should be regularly reviewed and monitored to ensure that each role is being carried out optimally. It may be the case that as things change and the plan is carried out, roles and duties may need to evolve substantially and new skillsets may need learning. As such it may be better for people to switch roles or new staff with particular specialities to be brought in.

Understanding the key factors that have an impact on management of strategic activities will always allow a strategic marketer to impact the success of their activities, and will allow them to ensure maximum success as well as troubleshoot when things don't look like they're leading to the desired and required objectives.

READING LIST

- Spencer Pickett, K.H. (1999), "The manager's guide to internal control: diary of a control freak", *Management Decision*, Vol. 37, Issue 2, pp. 93–215. (This article will be available in your online student resources.)
- Batocchio, A. Ghezzi, A. and Rangone, A. (2016), "A method for evaluating business models implementation process", *Business Process Management Journal*, Vol. 22, Issue 4, pp. 712–735. (This article will be available in your online student resources.)
- Boukis, A. Kaminakis, K. Siampos, A. and Kostopoulos, I. (2015), "Linking internal marketing with customer outcomes", *Marketing Intelligence & Planning*, Vol. 33, Issue 3, pp. 394–413. (This article will be available in your online student resources.)

Summary

This chapter has focused on building successful implementation processes, and how a strategic marketer or manager can maintain control over this. This includes a fit-for-purpose Marketing Information System that allows a rigorous assessment of performance gaps and opportunities for the organisation to pursue, as well as identifying and solving the key internal issues that could hinder implementation performance.

Chapter 4

Creating Sustainable Competitive Advantage

Introduction

While each organisation has a different mission that drives strategic activity, a primary goal of many will be to make a profit and ultimately drive a return for shareholders, or some equivalent long-term value.

Using financial return as a metric for success means that it's important to evaluate the potential of each strategic activity and focus in the context of its ability to drive substantial and sustainable profit. This then becomes a key factor in the allocation of resources, ensuring a division of funds in such a way as to fund those activities that will make the biggest impact.

Learning outcome

On completing the chapter, you will be able to:

4 Justify, using evidence, the application of marketing within an organisational context in relation to the goal of enhancing long-term shareholder value

Assessment criteria

4 Justify, using evidence, the application of marketing within an organisational context in relation to the goal of enhancing long-term shareholder value

4.1 Appraise the use of organisational resources in achieving sustainable competitive advantage

4.2 Critically analyse different approaches in implementing the marketing plan

4.1 The use of organisational resources in achieving sustainable competitive advantage

Allocation of organisational resources

Organisations must develop strategy on the basis of available resources, and they must allocate these with the goal of reaching a competitive advantage. A competitive advantage can be reached by matching strengths with opportunities, and these opportunities are largely defined as things that are available to be utilised with an organisation's resources and structure.

! NEED TO KNOW

Achieving goals and objectives requires transforming strengths into capabilities by matching them with opportunities. In a similar way, weaknesses can be converted into strengths and threats into opportunities with a strategic allocation of the right resources.

REVISION on the go

In the strategy and planning stage, it is not necessary to allocate all resources and dedicate all expenditure. Rather, dependent on the market approach towards achieving a competitive advantage, wider departments or functions will be allocated appropriate resources. For example:

- **Management**: to devise and work towards the strategy.
- **HR and personnel**: to hire and maintain the strongest team.
- **Product**: to develop and produce the strongest product.
- **Marketing and sales**: to promote and sell the product.
- **Support and maintenance**: to retain the audience and fulfil sales obligations.

As well as an allocation of human resources for each function, further tools, materials and costs must be accounted for. For example within marketing, this will include any advertising spend, promotional materials and subscription software.

OVER TO YOU

Activity 1: Allocating funds

For each of the functions listed (management, HR and personnel, product, marketing and sales, and support and maintenance), consider three or four elements that should be included in resource allocation.

There is also an additional allocation of resources to consider for general organisation overheads. For example:

- site and site maintenance
- required software and digital tools
- finance – accounting, payroll, tax

How to allocate resources

Resources will be allocated differently depending on the outcomes, and will be dependent on the resources available and the financial targets that have been agreed to make the business sustainable, thus achieving the competitive advantage.

Resources can be allocated manually, or in some circumstances algorithmically using a programme developed for that particular industry or in line with the business model and expected profits.

There may be a scenario where a business function has devised a strategy that they believe will contribute to the organisation's mission, and in this case they can pitch for additional resources.

CASE STUDY: ALLOCATING FUNDS IN A MARKET ORIENTATION ORGANISATION

Kinn is an organic cosmetics startup, focused on creating products based on consumer needs.

As they are a new company, they have limited funds to spend and as such must make considered choices and evaluate where best to invest.

As a small organisation with a small team, they are able to save money on overheads like office space, and instead spend money on what will give their consumers the best possible experience, as well as an effective marketing mix.

As a result, they evaluate possibilities for the most effective use of their budget and decide to allocate the most significant proportion of spend to the following:

- social media marketing and PR
- luxury packaging
- speedy distribution
- strong customer service

Routes to achieving competitive advantage

There are multiple approaches and routes an organisation can take to address these requirements. The decision about which path to take should be based on a thorough assessment of the competitive landscape using the models and techniques that form the first part of a strategic path, as discussed in Chapter 1.

The chosen business model and route to competitive advantage should:

- fulfil the organisation's mission and objectives;
- be within the boundaries of the allocated resources;
- achieve a sustainable place in the chosen industry and market.

Creating customer value

The first step to creating customer value is to understand what drives value for your customer. "Value" has multiple different meanings:

- At a basic level, it simply means the importance, worth or usefulness of something.
- In terms of customer value, it simply defines what a product is worth to a customer, and therefore where they would desire it compared to other competitor products.
- In financial terms, the customer must perceive the value of a product to be equal to or higher than the money, time and effort used to acquire it.

A basic sum can be used to calculate customer value, although trying to find a particular number may not be particularly useful as there are many variables within market segments and product features.

Customer value = Benefits – Cost

Different customer segments perceive value in different ways, and you must first understand what the appropriate segment deems as valuable before attempting to create value.

Some examples of what customers may perceive to be valuable include:

- price value
- brand value
- product value

Depending on the brand positioning and desired audience, there are multiple routes to achieving the competitive advantage that will appeal to a customer segment's unique perception of value, or alternatively a competitive advantage related directly to a market or industry.

Routes to competitive advantage can be based on cost or differentiation, as established in previous chapters.

Creating a product advantage

Routes to brand and product advantage, leading to a competitive advantage in these areas, are shown in Table 1:

Route to competitive advantage	Description	Example
Uniqueness or scarcity	Create a limited number and use the perception of rarity or special edition or personalisation to charge a significant premium.	Limited number of spaces on a course, limited edition packaging.
Inimitability	Having a service or feature that is bespoke and cannot be replicated, therefore owning this space in the market in the eyes of the consumer or increasing productivity and profitability in a way that cannot be matched by a competitor.	Services with uniquely qualified providers, patented technology or proprietary algorithms.
Integration and ubiquity	A product or feature that becomes so commonplace it is almost required to participate in a certain activity, and which if not purchased would lead to a severe disadvantage. This is particularly common in the B2B space that require cohesion of movements, but can also be seen in the B2C space for example in the rise of certain apps for certain purposes.	A software that businesses require in order to function and to exchange data, a tool that every industry requires to compete, websites.

Table 1: Routes to competitive advantage

REVISION on the go

OVER TO YOU

Activity 2: Evaluate routes to a product-led competitive advantage

For each of the routes listed above, give an example from different industries.

Then list the benefits and advantages of each route to competitive advantage.

Creating a price advantage

Routes to price value typically relate to the manufacturing or development process and increasing efficiency.

Economies of scale

This competitive advantage is a cost advantage – whereby the cost of production per unit decreases as output increases. By achieving a key advantage in production cost, an organisation can expect long-term sustainable profitability and this can be their key route to a competitive advantage.

The business model can be more effectively managed when economies of scale are reached as there are clear predictions which can be made about productivity and therefore profit, i.e. the knowledge that increasing input by x will cause an increase of at least x.

Economies of scale are typically present in organisations based on manufacturing and use of materials but can more recently be perceived in digital/software organisations.

The following are routes an organisation can take to create economies of scale:

- **Specialisation**: an organisation is able to manage resources, tasks and roles better when dealing with larger scales of products – and therefore have more skilled professionals or specialist technology for each function – enabling the function to be performed more efficiently.
- **Bargaining power**: reaching certain economies of scale means that increased need for consistent supply of goods or materials or subscriptions allows for more room for negotiation with suppliers or service providers, which can lead to a significant cost reduction on outgoings, contributing to greater overall profitability.

- **Indivisibility of resource**: certain resources cannot be obtained without reaching a specific minimum threshold without incurring high costs. Larger scales allow for these minimum sizes to be met.

Learning and experience curve

The learning and experience curve is used to describe why the efficiency of tasks – and therefore potentially output and profitability related to said tasks – increases over time.

When the same activity or task is repeated, the amount of effort or resources to be input for the same output decreases. In an organisation, this can apply to the following:

- increase in productivity of individuals in their specific tasks
- increase in productivity of algorithms/mechanics/industrial machines
- increase in overall productivity of an organisation and the way the different functions work together

A combination of the above factors can lead to a greatly optimised production process, alongside other organisation processes, which in turn reduces the cost of creating or providing a product or service, making the organisation more profitable.

OVER TO YOU

Activity 3: Evaluate routes to a price-led competitive advantage

For each of the routes listed above, consider an example from different industries.

Then list the benefits and advantages of each route to competitive advantage.

Differentiation

Differentiation is the key driver of strategic marketing, as it's what distinguishes generic products from each other and promotes purchase decisions. The object of differentiation is to create the perception that a product is uniquely suitable for a customer's needs – based on a strategic assessment of the target segment's specific needs.

To a potential customer, the product is made up of a combination of values that may or may not match their personal requirements for significant or most important product value. These are a combination of tangible (i.e. dimensions, materials, features) and intangible factors (service, brand), and all lead to a purchase decision.

! NEED TO KNOW

Depending on the desired customer segment, an organisation must focus on a specific path of differentiation to have the highest likelihood of success in that a potential customer considers their product or service to meet the most characteristics defining "value" to that individual.

REVISION on the go

For differentiation to be successful, it must meet the following criteria:

- **True**: the differentiation must be genuine and authentic if it is a cornerstone of brand messaging and promotion
- **Relevant**: crucially, it must be created and maintained with a market segment in mind, and in line with their wants or needs
- **Provable**: it must stand up solidly if it is questioned, with evidence to support the differentiating claims.

Table 2 shows the four key differentiation strategies an organisation may choose to pursue.

Product differentiation	The process of making a product distinct from alternatives, making it more attractive to a chosen target consumer segment	Based on functional features or design (e.g. capabilities, add-ons)
Promotional differentiation	Using non-price-related promotions to show differentiation or leadership in specific areas to chosen target consumer segment	Based on a strategic long-term marketing plan that ties together strands of promotion (e.g. advertising, endorsements, PR)
Pricing differentiation	Taking advantage of different target consumer segments' perceived value of the same product – i.e. adapting price to meet specific customers' demands	Based on different discounts offered to appeal to different segments (e.g. % off, added bonus, lower price)
Brand differentiation	Focusing on exceptional performance in one or more features as a differentiation strategy, chosen to appeal to a specific customer segment	Based on quality of a product or service, or distribution methods and channels

Table 2: Differentiation strategies

REVISION on the go

OVER TO YOU

Activity 4: Strategies for differentiation

Consider a product or service you are familiar with – either a product or service you're working with, or that you know from locally relevant organisations. Imagine you are charged with promoting and differentiating the product.

Consider two to three market segments, and write a list of ideas for each method of differentiation. Make sure you consider which are most suitable for different industries or types of organisations.

For example: a shared diary and scheduling app, promoted towards busy families

Product differentiation: *unique alarm or notification settings*

Promotional differentiation: *a series of celebrity parent endorsers*

Pricing differentiation: *discounts in partnership with different newspapers dependent on the readership*

Brand differentiation: *available through a high-end app reseller*

Competitive strategies

An organisation can reach its strategic objectives by matching its strengths and resources to available opportunities in the market. Depending on an organisation's place in the market, it will attempt to find a position of advantage with a different model or approach. In order to achieve this, an organisation will leverage and implement competitive advantages in the marketplace to achieve high levels of performance and therefore profitability. Table 3 outlines some of these strategies.

Strategy	Details
Market expansion	Increasing the size of the target market, for example by reaching different segments or geographies
Market share gain	Increasing the supply of a product within an existing market or market segment, as a percentage of that market or the market segment in its entirety
Market maintenance	Keeping ownership of the existing market, even in periods of increased competitiveness
Market niche strategies	Dominating a specific niche in the market with niche features or marketing to appeal consistently to this niche

Table 3: Competitive strategies

REVISION on the go

CASE STUDY: COMPETITIVE STRATEGIES IN ACTION

Strategy	Details
Market expansion	A local fresh goods delivery service has expanded their market by providing deliveries to neighbouring towns, increasing their market geographically and therefore the quantity of potential customers.
Market share gain	An office furniture company has started offering cheaper and more expensive versions of their best selling products, as well as innovating existing products based on feedback. This allows them to appeal to organisations with bigger and smaller budgets, and increases their market share in the market of providing office furniture.
Market maintenance	A cleaning company providing home cleaning services is focussing on retention marketing and rewards to ensure their customers stay with them, by offering incentives for them to stay in the event of considering changing to an alternative organisation, thereby maintaining their share of the market.
Market niche strategies	A meal planning app with paid features started off with a broad variety of recipes, before establishing a niche within the student market offering recipes that are easy to cook for beginners, and using low-cost ingredients. They have added a number of other features to appeal to cash-poor students including the ability to order ingredients online and split costs with friends.

NEED TO KNOW

While a strategy may encompass features of each of these approaches, focusing efforts and resources on a single strategy for a period of time will lead to a better use of resources and greater ability to convert strengths into opportunities and capabilities. This requires an organisation to dedicate a significant amount of focus towards pursuing a competitive strategy in order to adequately carry out the activities required to meet strategic objectives.

REVISION on the go

OVER TO YOU

Activity 5: Evaluate each competitive strategy

For each of the competitive strategies defined in Table 3, consider the advantages and disadvantages of each from the following points of view:

1 A dominant organisation – i.e. a market leader.

2 A non-dominant organisation – i.e. a market challenger.

You may find it easier to consider organisations you've come into contact with recently to focus participation in the exercise, or use those from the case studies in this section.

4.2 Different approaches in implementing the marketing plan

A marketing plan is made up of the marketing mix – the tools and route an organisation uses and follows to take their products out into the market and begin building relationships with consumers, promoting the products and eventually making sales. All of the research marketers do about their environment, consumer and organisation is relevant and vital for making informed decisions that lead to a strong, sustainable and ultimately effective marketing mix.

NEED TO KNOW

An effective marketing mix puts the right product, at the right price, in the right place, in front of the right people.

REVISION on the go

The Four Ps in more detail

The "marketing mix" is the basis of any marketing plan. It is viewed as the foundation upon which a marketer sets out their plan for the tools and activities an organisation will use to meet their marketing objectives.

For a marketing mix to be effective, it must be based on a combination of what the marketer knows about the consumer needs and their behaviours, and what the marketer knows about the organisation and the product they are selling.

Marketers typically use the Four Ps framework (introduced in Chapter 1) to evaluate their knowledge about the intersection of their consumer and organisational information, and thus form the basis of their marketing mix. The Four Ps is a framework that has been in use since the 1950s to create an effective marketing mix, and covers Product, Price, Place and Promotion.

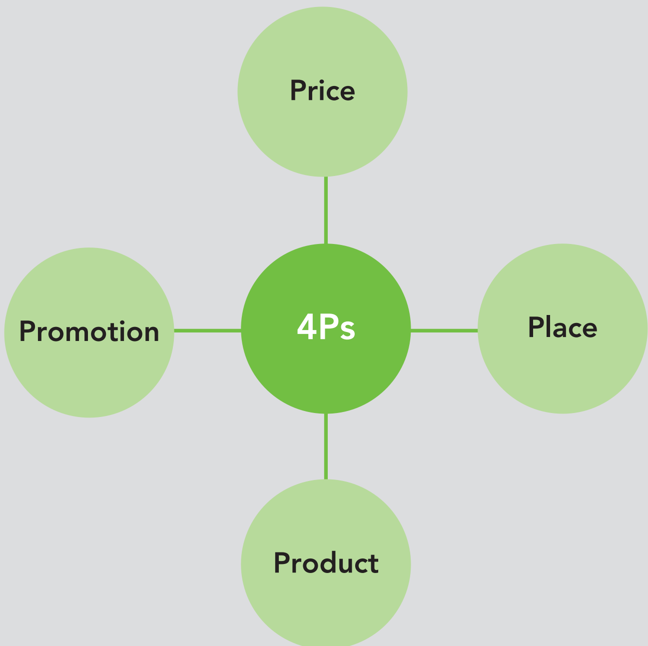


Figure 1: The Four Ps of the marketing mix

REVISION on the go

! NEED TO KNOW

As discussed in previous chapters, there are many ways to use the marketing mix. However, a strategic marketer will ensure that each element links directly to the organisation's competitive advantage and market positioning.

REVISION on the go

Product

The product is what a business creates in order to solve a particular problem or to fulfil a specific customer need. A product can be a physical (tangible) good or (intangible) service.

For a product to be represented adequately in the marketing mix, the marketer must be confident that the product they are presenting:

- solves a specific problem or fulfils a customer need;
- is in some way unique or distinguishable from competitors' products;
- can be produced consistently.

Product attributes

Table 4 shows the three levels on which a marketer must be aware of the product attributes:

Product level	Core product	Actual product	Augmented product
Definition	The key benefit or purpose of the product	The physical product that can be used by the customer	Added value and non-physical elements of the product
Attributes	The problem being solved	Appearance – style, branding, colour, size Functions and features Quality	Services Customer service Guarantees Delivery and/or installation
Example: an organisation selling garden lawn mowers	The lawn gets mowed	A sturdy yet compact red and black lawn mower with three different settings	A three-year warranty with annual services, delivered with online support on how to get it set up and use each function effectively

Table 4: Product levels and attributes

REVISION on the go

OVER TO YOU

Activity 6: Defining product levels

Choose a product and list the different product levels as shown in Table 4: core product, actual product and augmented product.

Product lifecycle

Product lifecycle is the series of stages a product goes through, from its inception and introduction through to its eventual evolution or removal from distribution.

Figure 2 shows a typical product lifecycle, although not every product goes through each of these stages. It's useful to be aware of the lifecycle as it can provide some guidance on a marketer's focus when creating the marketing mix.

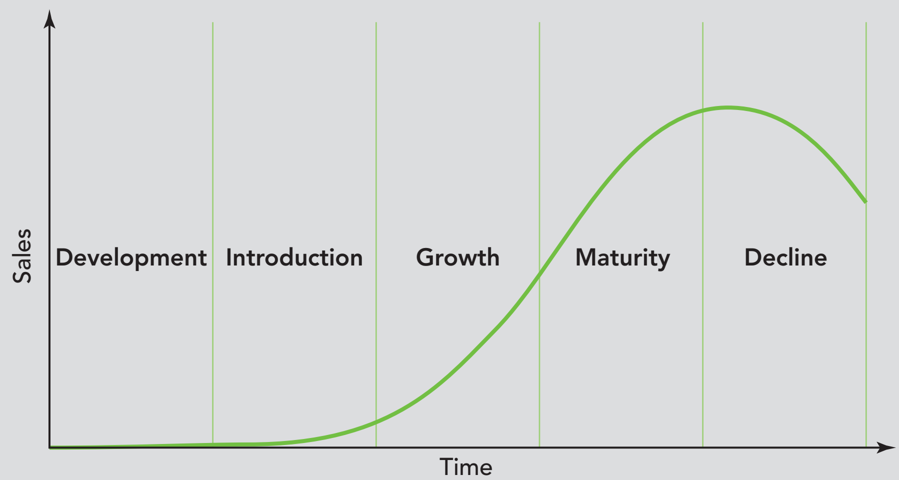


Figure 2: Product lifecycle

REVISION on the go

Table 5 shows the product lifecycle in more detail:

Development	Introduction	Growth	Maturity	Decline	Withdrawal
Deciding to fill a space in a market	Launching a new product	Establishing a presence	Steady and stable sales	Demand and sales slow	Remove from sale
Focus on solving specific problem	Focus on awareness	Focus on sales	Focus on staying established against competition	Focus on price-cutting, making more relevant; often a return to development stage	Create an alternative product after starting process again

Table 5: Breaking down the product lifecycle

A successful marketing mix takes into account where a product is in its lifecycle, as this will impact the other elements of the marketing mix needed to promote and sell the product.

New product development (NPD)

If a product reaches the decline sector of its product lifecycle, developing new products will be key. The aim of NPD is to anticipate the upcoming needs a consumer will have so that you can provide a solution to these at the right time.

An organisation need to focus on NPD for the following reasons:

- technological changes that make the existing product outdated – in sales, production or concept;
- too many competitors on the market with similar products;
- legislative changes that mean the existing product is outdated;
- new consumer trends, desires and needs;
- a need to increase profits or reduce costs dramatically;
- a desire to move into a new industry, field or segment.

The Diffusion of Innovations Theory[18] explains the rate at which new products are adopted and spread.

An organisation may aim to be at different stages of this curve depending on their market strategy – for example market challengers are likely to stay in line with the innovators category, whereas market followers will likely stay in line with the late majority.

18 Everett, R. (2003), *Diffusion of Innovations*, 5th edition. New York: Simon and Schuster

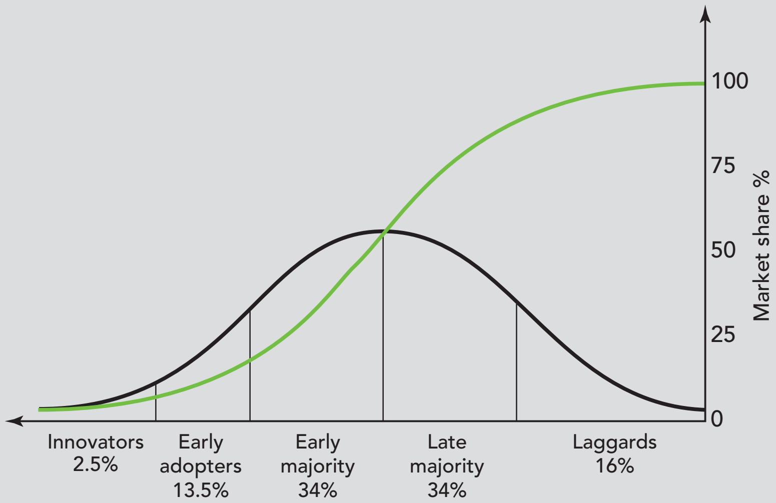


Figure 3: Diffusion of Innovations Theory

REVISION on the go

Price

Before a marketer can begin to market a product, they must set a price at which the product will be sold. Price is a fundamental part of any marketing plan as it has the single greatest direct impact on profitability of the company, and is a huge factor when it comes to consumer buying processes and purchase decisions.

Price also has a huge ability to impact consumers' perception of the product: too high and it will seem like a luxury rather than a necessity; too low and it will seem like it holds little value. The price willing to be paid is a function of quality and value.

With this in mind, there are multiple pricing strategies organisations can choose to adopt, as shown in Table 6. A marketer may choose to use a combination of these dependent on the segment they are reaching, or on the market strategy they are pursuing.

Penetration pricing	Skimming pricing	Competition pricing	Psychological pricing	Value based pricing
Start with a low price and then increase once a large customer base has been captured	Start with a high price to establish quality, then reduce the price to increase the market's access. Usually with a novel product which will copied quite quickly – e.g. tablet computers	Base prices on competitors – to match, undercut and to gain market share, depending on the comparison the organisation wants consumers to draw	Using psychological pricing tricks (e.g. 0.99 instead of $1) threshold to encourage sales based on good deal mentality	Set price based on value to a customer – how much a customer is willing to pay based on the benefits or fulfilment of needs

Product line pricing	Premium pricing	Bundle pricing	Optional pricing	Cost based pricing
Offering a range of products at different price points	Having a high price to give the impression of quality or exclusivity	Grouping products together to offer a larger discount	Adding paid-for extras to maximise perceived value while increasing profits	Set price based on the cost a product takes to make and promote, plus a mark up to guarantee profit

Table 6: Pricing approaches

REVISION on the go

OVER TO YOU

Activity 7: Identifying pricing strategies

Choose three of these pricing strategies and list examples you've seen of these used in practice.

For example:

Psychological pricing: *selling a smartphone for $399 instead of $400.*

Bundle pricing: *buy a console and get two video games and two controllers for $450.*

For each example, list what assumptions you can make about the organisation's strategic choices based on these pricing strategies.

Factors influencing pricing decisions

When deciding which pricing approach to use, a marketer should take the following factors into account:

- target segment, the value of the product to them and their willingness and financial ability to pay that;
- positioning and perceived value as a result of price, and the competitive landscape;
- the costs required to produce, sell and maintain a product and the need to make a profit in line with organisational objectives.

Place

"Place" is often referred to as "distribution". A central part of any marketing mix is how a product reaches a customer – where and using which distribution method.

Table 7 summarises some of the criteria the marketer must be able to qualify in order to define how the product reaches the consumer.

Indirect sales	Direct sales
Selling via third parties (i.e. retailers, booking websites)	Selling directly to the consumer
Online sales	Offline sales
Using web sales directly or indirectly	Selling in physical locations i.e. stores, markets, meetings
Exclusive distribution	Intensive distribution
Selling in a limited number of places	Wide availability in a variety of locations

Table 7: Distribution methods (Place)

In the modern digital world where many distribution chains may have elements of automation, it is often a case of combining various aspects of different distribution models.

CASE STUDY: DISTRIBUTION METHODS IN PRACTICE

A company selling fitness equipment can use an indirect or direct distribution method while using only online sales, by either selling through their own website or by selling through specialist fitness websites.

By selling only through their own website, they are choosing an exclusive distribution model, but by selling through multiple fitness websites they are opting for more intensive distribution.

Factors influencing distribution decisions

These might include:

- complexity of the product/service – value added by the middlemen, i.e. technical advice and after service installation;
- need for trial and product inspection;
- profit reduction in payment to third party sources;
- shipping costs;
- storage costs;
- perception of places the product is available to buy from that could impact upon the perception of the product itself.

OVER TO YOU

Activity 8: Understanding distribution

1 Think of a product you've recently come into contact with. Make a list of all of the places this product is available to buy.

2 Repeat this process for two more products in different industries.

3 Choose one of the products you've looked at and write one advantage and one disadvantage of the chosen distribution methods, taking into account the factors that may impact distribution decisions.

4 Based on the chosen distribution methods, write down some assumptions you can make about the organisation's market segment or differentiation strategy.

Promotion

"Promotion" is often referred to as "communications". A product could be the perfect solution to a customer's problem, at the ideal price point and available in a convenient location, but a customer still would not choose to buy that product if all of this information was not communicated effectively.

Promotion is the element of the Four Ps that is to do with customer communications. Table 8 summarises all of the tools and channels that a marketer has available to them to create a strong promotional communication strategy, effectively giving customers the information they need to know to enable them to make a purchase decision.

Advertising	**Affiliates**	**Branding/packaging**	**Digital tools**
Paying for placement of specific messages in specific media	Word-of-mouth promotion based on recommendation by a third party	Creating a clearly differentiated brand identity that clearly represents the product's positioning, use and target audience	Online services that will help to promote a product, service or message
Digital: social media advertising, search engine advertising, banner adverts **Traditional**: TV, radio, magazine and newspaper, out-of-home (e.g. billboards)	Blogger affiliates, consumer-to-consumer referral programmes	Name, packaging design, colours, website, tone of voice	Product or organisation website, third-party websites and auction or sales sites, tracking and measurement and analytics tools
Direct marketing	**Direct selling**	**Events**	**Partnerships**
Sending marketing materials directly to individuals	Selling made via a sales professional interacting with a consumer	Specific occasions where consumers and organisations are brought together	Teaming up with another individual or organisation with a relevant audience to promote to their consumers
Digital: email campaigns **Traditional**: postal campaigns	One-to-one communication usually in-store, at events or in meetings	Exhibitions, conferences, festivals, markets	Influencer or ambassador partnerships, multi-organisation partnerships

Public relations (PR)	Social media	Sponsorships	Sales promotions
Building a relationship with potential consumers through the media – usually through reviews and relevant product stories and events such as new product launches detailed to journalists	Using social networks to publish content that allows organisations to engage directly with consumers on a regular basis	Paying money to another organisation, event or person to feature an organisation's branding as part of their activities	Short-term price reductions or other offers designed to encourage an uptake in sales
Traditional PR: newspapers and magazines, supplements **Digital PR**: websites and blogs	Facebook, Twitter, Instagram, Snapchat, Pinterest, YouTube, WeChat	Sports teams, Sportspeople, events, influencers, local businesses, charities	Discounts, bundles, holiday offers, coupons, flash sales, voucher codes

Table 8: Promotion channels

! NEED TO KNOW

Table 8 is not an exhaustive list of promotional channels that marketers are able to use to communicate with consumers. New channels and tactics are appearing all of the time and it's a marketer's job to keep track of the uses and benefits of these and to assess whether or not they would be a valuable addition to the marketing mix.

Factors influencing promotional decisions

Not all organisations will choose to use all of these promotional channels and tactics as some will be more effective in specific geographies or industries. However, there are some that are fundamental to almost all products including branding and digital tools.

Here are some examples of what may impact a marketer's decision to use specific promotional channels:

- budget and resources;
- brand perception and image;
- target market's preferred channels;
- messaging that is appropriate for the channel.

OVER TO YOU

Activity 9: Understanding promotion

1 Think of a product you've recently come into contact with. Make a list of some examples of where you've seen this product promoted, and some of the key messages.

2 Repeat this process for two more products in different industries.

3 Choose one of the products you've looked at and write one advantage and one disadvantage of the chosen promotions.

4 Based on the chosen promotions, write down some assumptions you can make about the organisation's strategic focus, including market segment, market strategy and differentiation strategy.

READING LIST

- Kaliappen, N. and Hilman, H. (2017), "Competitive strategies, market orientation types and innovation strategies: finding the strategic fit", *World Journal of Entrepreneurship, Management and Sustainable Development*, Vol. 13, Issue 3, pp. 257–261. (This article will be available in your online student resources.)
- O'Cass, A. and Heirati, N. (2015), "Mastering the complementarity between marketing mix and customer-focused capabilities to enhance new product performance", *Journal of Business & Industrial Marketing*, Vol. 30, Issue 1, pp. 60–71. (This article will be available in your online student resources.)
- Harrington, R.J. Ottenbacher, M.C. and Fauser, S. (2017), "QSR brand value: Marketing mix dimensions among McDonald's, KFC, Burger King, Subway and Starbucks", *International Journal of Contemporary Hospitality Management*, Vol. 29, Issue 1, pp. 551–570. (This article will be available in your online student resources.)

Summary

This chapter has considered strategic marketing as a part of a sensible return on investment for key stakeholders. This incorporates the best distribution of resources within the organisation, as well as pursuing a strategic competitive advantage through a defined competitive strategy. Based on this, an organisation is able to compile, plan and apply a strategic marketing mix to help reach the objectives defined previously in order to fulfil the desired returns.

Chapter 5

Implementing the Strategy

Introduction

Beyond creating any ongoing plan, a significant part of strategic marketing involves implementation. This is the process of taking what's been devised and ensuring that all activities are carried out, gathering learnings, and using these to adapt towards the objectives.

A significant part of this process is responding to the challenges and developments that have changed the organisation's environment and the wider landscape, which involves an awareness of what might be causing these.

Learning outcome

On completing the chapter, you will be able to:

5 Evaluate a range of resources to understand and resolve organisational marketing related problems

Assessment criteria

5 Evaluate a range of resources to understand and resolve organisational marketing related problems

5.1 Analyse the implementation challenges present in strategic marketing

5.2 Assess future trends and challenges for the future of strategic marketing

5.1 The implementation challenges present in strategic marketing

Marketing metrics

To assess the success of any marketing activity, there will be some agreed factors to measure over time. These factors will directly correlate with the strategic activity agreed upon in the initial marketing plan.

It's likely there will be key performance indicators (KPIs) set at the time of creating and beginning to implement a strategy, and these represent the agreed relevant metrics that dictate the success of said strategy.

KPIs can be viewed as the definable and measurable partner to the objectives set alongside each agreed marketing activity. Each team or even individual responsible for a particular set of tasks will be able to show, measure and develop success based on their proximity to the set KPIs.

An organisation can select KPIs in the following ways:

- establish which activities and objectives are to be measured;
- describe the best-case scenario or intended results;
- define the appropriate metric to measure this level of success, or signifier of success;
- set targets within that metric;
- agree a timeframe and measurement instructions.

Potential metrics to measure

Each activity included in the marketing strategy will have sensible and relevant performance indicators to measure. The most relevant of these will typically link back to the organisation's mission statement, as agreed on by all appropriate stakeholders, and will link to the wider goals and objectives of an organisation, as well as the focus of each function within the organisation.

Table 1 gives examples of some of the metrics that may be measured, and how performance can be measured and optimised over time.

	Measurable metric	Measured by	Relevant for
Loyalty/ retention	High percentage of customers retained over a period of time	Customer database	Organisations dependent on repeat purchases or subscriptions
Customer numbers	Number of new customers over a period of time	Sales database	The sales and marketing function of an organisation
Customer satisfaction	Increasing satisfaction in customer reviews	Surveys or reviews, using CSAT, NPS or CES measurements	Organisations who provide a service or rely on reviews or word-of-mouth
Market share	Increase in percentage of market share	Market share calculations	Organisations aiming to become or compete with market leaders, organisations competing in a new or busy industry or market
Esteem	Number of positive mentions or absence of negative mentions in key publications or arenas	Qualitative research and assessment	Organisations where public or industry perception is key
Complaints	Reduced number of complaints (around specific product, feature or service)	Complaints database, social media, customer support reports	Organisation functions responsible for performance of key features or products as they interact with consumers
Awareness	Increase in volume of searches or mentions	Surveys with random audiences, social media adverts, search traffic volume, social media listening, website traffic	New organisations, organisations with a significant market share who want to stay front-of-mind

Table 1: Measurable metrics

REVISION on the go

Calculating market share

An organisation's market share is its sales as a percentage of an industry or market's total revenues over a period of time. This gives an idea of the organisation's size and dominance in relation to the wider industry.

This can be calculated as a percentage using the following sum:

$$\frac{\text{Total organisation sales}}{\text{total industry sales}} \times 100$$

Measuring customer satisfaction

There is unlikely to be quantitative data immediately available for metrics relating to customer satisfaction, unless reviews on third-party sites, or integrated into the website or physical site, are a key part of an organisation's provision of products and services.

In the absence of existing metrics, it's likely that customer surveys will need to be sent out. This is usually done digitally. These can be sent via mass email or prompts and notifications if there's an app, or at key times in the user experience, for example just after they've received assistance or purchased an item.

There are three key measurement methods for keeping track of customer satisfaction of a product or experience.

CSAT – customer satisfaction score

This is a simple 1–3, 1–5 or 1–10 measurement of customer satisfaction. This is effective as it is direct and uncomplicated. However, as "satisfaction" is an intangible and largely immeasurable concept, it can be difficult to get accurate responses, and the responses may vary greatly depending on when the customer is asked. Using higher numbers of respondents can give a more accurate reflection, and mitigates to a certain extent the fact that people rate satisfaction differently.

NPS – net promoter score

This is usually on a scale of 1–10, and measures the likelihood of a customer returning – from "no chance" to "a likely chance". The NPS itself is calculated by taking the number who fall into the "promoter" category (9–10) and subtracting the "detractors" (0–6).

This is an effective measurement because it asks a specific question – "How likely are you to return?" – rather than an intangible one around general satisfaction.

CES – customer effort score

This asks customers to answer how easy it was to get their issue resolved. The score is calculated as a percentage, and the aim is to get a low percentage by resolving the customer's issue as promptly as possible.

This score is most relevant for customer – or service-based measurement, and the results are most useful if obtained soon after the customer has had contact with the organisation.

CASE STUDY: USING CUSTOMER SATISFACTION TO IMPACT STRATEGY

A local pizza store sends out surveys via text message to all people who ordered takeaway, asking people to send their feedback on a score of 1–5 (the simple CSAT measurement).

Using customer data, they establish that scores lower than a 3 typically came when people ordered their pizza from a further distance away and thus had to wait longer.

To increase customer satisfaction as a response to this feedback, they introduce a countdown timer to keep customers engaged in the process of their delivery.

Not only does this improve customer satisfaction, but it is a great promotional tactic that has led to positive reviews and messages posted online.

Effective measurement of metrics

KPIs are meaningless if they don't adequately, accurately and effectively reflect what the organisation, function or individual are attempting to achieve.

Organisations can consider the following suggestions for effective KPIs:

- restricting them to measuring a specific activity and objective;
- making them realistic but also impactive;
- ensuring they are the most significant metric to show genuine success for the activity being tracked;
- being aware of any factors that could otherwise impact the success of the activity.

NEED TO KNOW

It's important to note that KPIs are set over a period of time. Dependent on the organisation's structure and any requirements dictated by management, shareholders or other key stakeholders, there may be long time periods allocated to meeting KPIs. So they may not be met with immediately, instead they dictate an aim.

REVISION on the go

OVER TO YOU

Activity 1: Creating useful measurements of success

Consider an organisation you've come into contact with recently. For each of the categories listed in Table 1, give an example of a metric that may be measured. Then describe the process you would take to find this data.

For example:

Loyalty/retention:

- *increase of repeat purchasers of printer cartridges each month;*
- *look at sales data each month, find the number of sales to existing customers, compare that to previous months' sales to existing customers.*

Identifying and resolving performance gaps

Performance gaps are the gaps between the current and intended situation – the gaps between now and when an organisation, or function within an organisation, will meet its established goals. Consistent evaluation of performance gaps allows organisations to measure how far they are towards reaching their objectives, as well as how far they have to go. This allows them to pinpoint the areas where strategic focus should be placed, and to create actionable activities to resolve these gaps.

For an effective implementation of strategic marketing, this involves the marketing organisation audit and the marketing strategy audit.

Both of these audits work co-dependently with the same intention – to identify the gaps between an organisation's mission and its capabilities within the market of the present-day and the future. The environment here is a key factor – both internal and external.

Marketing organisation audit

The purpose of this audit is to establish whether or not the marketing function is fit for purpose when taking into account the organisation's goals and the clearly defined objectives and metrics of success. This assesses the structural capability of the organisation to implement the strategy to a developing environment.

This audit focuses on two key areas: structure and efficiency.

Structure

- Does the head of marketing have the appropriate level of authority and responsibility for marketing activities – i.e. are they fairly accountable for interaction with customers?
- Is the marketing function as a whole structured in the optimal way to carry out strategic tasks – i.e. can the team work with each other effectively and with access to and responsibility for all of the materials and tools required to carry out strategic activities?

Efficiency

- Is there good communication between the marketing department and other vital and relevant functions – i.e. sales, product, distribution, support?
- Can marketing feed back to other departments to implement vital changes, most significantly in product?
- Are there are skills gaps that require additional support from human resources – i.e. training, new team members, additional supervision?

By answering these questions, an organisation can see if the marketing function is structurally able to complete the required tasks to meet the objectives and metrics of success.

Marketing strategy audit

The marketing strategy audit is an evaluation of the organisation's marketing objectives and strategy to determine their suitability to the current and forecasted marketing environment.

This audit focuses on two key areas: goals and strategy.

Goals

- Is the overall mission of the organisation appropriate, articulate and feasible – i.e. is it a fair and representative mission?
- Are the objectives clear enough to guide actionable activities that could lead to their achievement?
- Are the objectives something that could be reached within the existing resources, financial and otherwise?

Strategy

- Is the strategy to reach the objectives clearly defined by management, and has this strategy been clearly articulated to relevant functions?
- Is the strategy appropriate and relevant for the organisation's current status with regards to internal and external factors, the environment and the market?
- Is the strategy in line with the demands of a realistic market segment, and is that market segment clearly defined and articulated?
- Does the strategy include a reasonable method of brand positioning, consumer targeting and an appropriate marketing mix to reach that segment effectively?
- Are there sufficient resources budgeted to achieve the marketing objectives, and is that budget allocated in the most efficient way?

By answering these questions, an organisation is able to assess if the marketing function is being sufficiently strategically guided to carry out the required activities and move towards their objectives.

Using audits to resolve performance gaps

The results of the audits should show where the organisation is likely to meet its performance targets, and where it will fall short of reaching its potential levels of success.

OVER TO YOU

Activity 2: Resolving performance gaps

Choose a local organisation and make a list of five issues you can imagine being uncovered by a marketing audit. For each issue, think of a way you could adapt the strategy to solve it.

Cost problems

Once steps have been taken to fill performance gaps, a marketing strategy can be assessed by how effectively it's using financial resources and where it is most profitable, ensuring that these elements are evenly matched to solve any cost problems that may be incurred while implementing the assigned activities.

This involves the marketing productivity audit. This audit is intended to evaluate the cost effectiveness of various levels of marketing expenditure, and the profitability of the different aspects of the marketing programme.

This audit focuses on two key areas: profitability and cost effectiveness.

Profitability

- What is the overall profitability of an organisation?
- How is that profitability divided – i.e. over certain segments, products, distribution channels?
- What are the least profitable elements or processes within the organisation – i.e. a significant input leading to relatively limited profit?

Cost-effectiveness

- Are there any excessive marketing costs that do not appear to lead to significant return?
- Are there any ways to reduce costs or replace costs – i.e. streamlining processes, upgrading or updating tools, new hires or skills?

Based on an evaluation of the sources of profitability and the most effective use of budget, an organisation can establish whether there are there any key opportunities or threats to withdraw from or embrace, or if there are certain processes or systems that need to be optimised. By assessing an organisation's profitability, strategic choices can be made about where is most cost-effective to invest resources with a guaranteed efficient return, and unnecessary outgoings can be reduced by committing only to those that clearly demonstrate a return on investment.

CASE STUDY: SOLVING COST PROBLEMS

An independent fashion designer was spending a significant amount of money on PR, social media and magazine advertising.

After doing a marketing productivity audit, it became clear that the costs of PR and magazine advertising were significantly outweighing that of social media, yet social media was leading to a greater number of sales and was therefore the most profitable marketing output.

The marketing team at the fashion designer refocused the strategy around online methods, and allocated the budget accordingly.

Lack of adequate information

One of the key factors that can contribute to an underperforming strategy is that it is based on a lack of adequate information to make logical and data-driven choices. As such, the various systems that marketing functions have in place to manage their data and the activities incorporated with these need to be audited regularly to ensure that they achieve consistent results.

Auditing marketing systems

Certain strategic decisions cannot be informed without the appropriate quality of systems to support these, so regular audits are important to ensure these are performing to their required potential.

Marketing information systems audit

- Is the quality and quantity of marketing information available sufficient to fulfil the requirements of the marketing function?
- Are the inputs sufficient to lead to valuable outputs, i.e. automated data capture, sufficient relevant market and consumer research?
- Are the processes converting inputs to outputs and providing analysis giving the data in the correct form – i.e. metrics and assumptions that are accurate and relate directly to objectives and activities?
- Can outputs be drawn in a timely fashion as and when required?
- Is there enough available information to make adequate predictions about the profitability of the organisation and/or the marketing and sales functions?

Marketing planning systems audit

- Does the planning system effectively aid marketers in their roles?
- Does the marketing planning system lead to effective predictions and forecasts, leading to a sensible allocation of budget and resources?
- Does the planning system mirror its use in the organisation – i.e. is the structure the organisation operates within complemented and supported by the planning systems?
- Is the planning system leading to sales or other targets being met?

Marketing control systems audit

- Does the data available usefully illustrate how far or near an organisation is to its objectives?
- Are different factors including more granular profitability assessments possible with the marketing control systems?
- Is it possible to measure the cost effectiveness of activities against their effectiveness?

Fundamentally, when completing a systems audit, an organisation must ensure that the systems are being used as they are intended to be. Only with engagement and correct use can the systems be useful in helping the organisation provide fruitful ongoing evaluation of activities against objectives.

OVER TO YOU

Activity 3: Access to adequate information

Brainstorm all of the types of data that could be valuable as part of marketing information, planning and control systems.

Write down as many as you can in three minutes. Then choose two or three ideas and write down how you may evaluate this data – i.e. what outputs may come from these inputs that could be useful to marketing analysis.

5.2 Future trends and challenges for the future of strategic marketing

Trends in technology

Looking to the future is a key part of strategic planning, as effective marketing embraces the new trends and the opportunities these bring, and prepares for the challenges that may be associated with these.

Currently, the majority of trends that an organisation needs to be aware of relate to technology and the associated breakthroughs. In the relatively short period of time since personal computers, mobile phones and the Internet became widespread from the late 90s onwards, there has been a significant **exponential** growth in digital innovation and subsequent uptake.

As with any strategic decision made by an organisation, the potential benefits of new tools – whether those relate to increasing productivity, efficiency or a reduction in costs – must be based on data and be in line with the organisation's wider mission and the associated objectives and activities.

Table 2 serves as an overview of the key trends that are impacting the future of strategic marketing, alongside some of the opportunities and challenges afforded by these trends.

Key trend	Potential for strategic marketing	Potential challenges
Breakthrough technologies: new tech including virtual reality, augmented reality, artificial intelligence and machine learning	Richer visual experiences with complex hi-tech devices, e.g. immersive advertising and content Communication using bots that get smarter to improve customer service and support	Potentially big investment for what could be a short-term or faddy product Unknown areas may not be as appealing to customers as assumed
E-commerce: the move away from dependence on bricks-and-mortar sales to more sales being made online through owned sites or third party services, and through mobile and social media	More detailed and consistent user journey tracking to test assumptions about customer behaviour, leading to greater opportunities to improve conversion and profitability More routes to market and distribution channels to test	Maintaining brand without physical presence Potential dependence on third party services Brand associations with commerce experience – more chances to fail/stall sales More competition
Viral marketing: no need to depend on traditional expensive advertising campaigns to reach large numbers of people with rich and engaging content	Potential to test different types of content rather than allocating entire budget to a single campaign Fewer restrictions than previous advertising channels, with more positive sentiment	High chance of failure – viral successes are few and far between with little guarantee Potential to damage brand identity and waste money with failed attempt

Key trend	Potential for strategic marketing	Potential challenges
Social media: using services like Facebook, Twitter, Instagram, Pinterest, YouTube and Snapchat to engage directly with consumers and targeted audience with both organic and paid content	Ability to produce, publish and test endless content organically and cheaply on the most relevant platform Ability to target incredibly niche audiences directly with key messaging relevant to that segment at relatively little cost	Increasingly crowded spaces with less positive sentiment than before Scope for organic social is smaller now due to rise in paid Limited ROI for sales in offline organisations No ownership of audience databases – if the social network shuts down all audience data is lost
CRM databases: customer and behaviour segmentation is more detailed than ever before, and easy to access through simple automation where previously complex systems would be required	Significant opportunity for testing response to messaging, sending targeted offers and deals and being active in multiple segments while testing the effectiveness of each simultaneously	Dependence on email can make consumers switch off if they receive unnecessary/too many/poorly segmented emails – losing their data and a potential relationship or opportunity to sell
Intelligent systems: Internet of Things and smart, connected devices lead to joined-up worlds and the ability for different devices to communicate with each other consistently without the need for human instruction	Automation across products Potential for increased data on product effectiveness and most-valuable features in real-time, allowing for strategic product updates and constant feedback based on usage	Security issues associated with smart home and connected devices, including data management and protection Lots outside of the control of the organisation with greater margin for error
The era of "Big Data": significant, ever-updating data available on almost any question a marketer would need answered	Significant insight available in any industry so decisions can be made based on genuine insight regardless of variables, leading to more informed financial choices	Potential to hinder creativity and new, exciting opportunities if decisions are too focused and dependent on data

Table 2: Opportunities and challenges in strategic marketing

Guidance for organisations looking to strategically embrace trends

Some of the advantages gained by an organisation embracing new technologies and trends include:

- first mover advantage;
- often brings an organisation closer to their audience;

- usually relates to automation, time and process perfecting;
- opportunity to become a leader with the "test, learn, adapt" approach;
- benefits can be exponential as new trends explode.

Disadvantages of embracing new technologies and trends include:

- adopting pre-integration may mean a waste of time and resources on something that is ultimately short-lived;
- moving too soon can lead to errors, whereas being a market follower is a more cautious choice;
- unknown risks associated with each new technology cannot be mitigated prior to full information becoming available.

OVER TO YOU

Activity 4: Embracing technology trends

Consider how each market strategy (market leaders, market followers, market nichers and market challengers) would interact with different technological trends. What are the benefits and restrictions of a chosen market strategy on the uptake of innovative tools?

Marketing strategy and new social values (Corporate Social Responsibility)

Part of keeping up with the latest trends involves being aligned with the global social consciousness, and being aware of how this interacts with ongoing marketing efforts.

Corporate Social Responsibility (CSR) is the term used when organisations make a sustained effort to examine the environmental, economic and social impact their operations have, and to put into place long-term, effective measures to take responsibility for that impact to be positive.

The rise of CSR programmes, particularly in large multinational companies such as BP, was initially intended to offset perceived negative practices. Nowadays the wider adoption of CSR programmes has forced most companies to align themselves to clear, wider social missions outside of simply turning a profit. This has led to a necessity for "social good" to be a considered factor in the marketing of organisations of all sizes.

While a company's CSR efforts tend to directly correspond with the industry and area they operate within, there are some key areas that CSR programmes tend to focus on:

- positive environmental and sustainability practices;
- philanthropic and charitable ventures aimed at working with specific social and economic groups;
- promotion of ethical labour and trade practices;
- mentoring, volunteering and other grassroots or community-led initiatives.

A way of approaching CSR is to consider the Three Ps approach – Planet, People and Profit, which has been adopted by many organisations.

CASE STUDY: CSR IN GLOBALLY-RECOGNISED BRANDS

- The Nike Foundation promotes the Girl Effect – the economic argument that the world would benefit if girls were given a fair chance in life.
- Ben and Jerry's has a strong holding in the Fair Trade world including trade deals with dairy farmers in their home state of Vermont.
- Microsoft Philanthropies promotes the use of technology for good, investing technology and providing grants and opportunities for those striving to make humanitarian advances.

Source: Nike Foundation (the Girl Effect) at http://www.girleffect.org/our-purpose/; Ben and Jerry's CSR at http://www.benjerry.com/whats-new/2014/corporate-social-responsibility-history; Microsoft Philanthropies at https://www.microsoft.com/en-us/philanthropies/default.aspx

The relationship between social values and marketing

CSR is the responsibility of the company at large, but it has a direct relationship with marketing as it ties into how the company is perceived.

Thanks to the rise in successful CSR initiatives, sustainability and fully rounded ethical practices are expected by consumers, so a company's commitment to CSR and promotion of charitable or community-led acts are a central part of the identity, message and perception of any organisation.

Changes in the business environment

Strategic marketing is always evolving in line with change in the organisation's environment, and in the face of globalisation and growing **interconnectivity** between international markets and organisations this means that the environment must incorporate the international context.

International factors for organisations to keep in mind when assessing the wider business environment include:

- exchange rates;
- trade laws;
- employment and tax laws;
- product regulation and legalities;
- economy in specific areas;
- government situation and international government relations.

Globalisation and associated considerations for marketers

Marketing is often the mouthpiece of an organisation. Departments such as finance and product don't have to consider globalisation as much except perhaps in terms of scale and logistics. However, due to globalisation marketers must be aware of and active in all of the relevant territories for the business. Challenges for marketers include differences in language, culture and time zones.

OVER TO YOU

Activity 5: Responding to globalisation

How can an organisation overcome these challenges? Think of some solutions, or steps to reach solutions that a marketer can consider. Some responses may link more closely to different market strategies or industries.

Challenge	Language	Cultural differences	Time differences
Consideration	An obvious primary result of a globalised workforce and customer base means a potential requirement to get across the same marketing messages and materials in different languages or dialects.	What is socially and culturally acceptable and normal varies from place to place, depending on anything from religion to politics to turns of phrase.	Being in different time zones can impact immediate messaging, particularly in the digital world, but seasonal differences and cultural or religious holidays appearing at different times throughout the year should also be taken into account for larger campaigns.
Possible solutions			

The increasing pace of economic change

Globalisation has had a far greater impact than that which people had initially anticipated, and this has led to a hugely increased pace of economic change internationally. This is due to:

- increased stock market fluctuations due to speed of information exchange between markets;
- rise in technology and access to information increasing innovation;
- increase in migrants seeking work outside of their native countries.

Due to the interconnected nature of markets in a post-globalisation world, any changes in different locations can have an impact on an organisation's environment rapidly and significantly, particularly if they depend on international factors as stated above.

As a result, strategy must move fast to keep up with changes in the global environment, which often appear and destabilise the status quo relatively quickly in response to political or cultural changes.

Increasing competitive pressures

While globalisation and increased international co-operation can open up organisations to more opportunities, segments and markets, this also comes with an increase in competitive pressures including:

- increased competition from existing organisations in the same or similar industries or markets;
- increased competition from organisations expanding their market or segment into the organisation's owned segment from abroad;
- more choice for consumers due to ease of delivery, low shipping costs and times;
- Internet-led advertising is global compared to traditional advertising methods;
- some changes in the global market will impact organisations more positively than others.

Organisational challenges and changes

As an organisation adapts with its environment, and it changes or grows over time, or decides to change its focus, there will be inevitable organisational changes in terms of structure and management. Some of these may lead to challenges which can impact the probability of success for any strategic marketing activities, but these can be mitigated by appropriate preparation, planning and handling of the changes.

Often, although an organisational change must be made to positively impact the ability to meet strategic objectives and fulfil an organisation's overarching mission, there may be some immediate disruption due to the nature of change.

The following steps may help in mitigating the impact of organisational change on strategy, and should be taken by management as far in advance as possible:

1. **Planning**: establish who will be impacted and to what degree, focusing on how this will change their regular tasks and overall objectives.
2. **Preparation**: notify all relevant parties of the changes that are coming, including timeframes, degree of change and processes to optimise troubleshooting.
3. **Precautions**: assess the risks of changes in the short, medium and long term and outline processes to reduce the impact of said risks in the event of them occurring.

Being clear about the purpose, aims and remit of the changes with the wider organisation, and how it impacts expectations of their performance, objectives and metrics is key.

Table 3 shows the many forms these strategic reorganisations or realignments may take, each with a different purpose, goal and impact on strategy.

Reorganisation	Strategic reason
New organisational structures	New strategic focus based on discoveries during audit
Mergers	Combining two or more organisations as a method of pooling and sharing resources – financial or otherwise
Strategic alliances	Collaborations between organisations with mutual benefits, based on strengths and resources within each organisation
Partnerships	A more formal collaboration with clearly defined outcomes for each party

Table 3: Strategic reorganisation

REVISION on the go

There are many reasons why organisational structures may come into place, and these structures will largely be to the benefit of the organisation. They will often be based on the assessments and evaluations carried out as part of ongoing marketing audits, in the name of increasing profitability and cost-effectiveness and bridging gaps in meeting strategic objectives. These can include:

- pursuing a new strategic focus;
- pursuing a new, broader or more specific market;
- changing key factors in the marketing mix;
- adjusting positioning or distribution channels;
- adapting the business model.

OVER TO YOU

Activity 6: Organisational challenges

Imagine that you are leading on marketing strategy for an organisation selling stationery. A recent audit has established that selling through social media gives you the greatest profitability and cost effectiveness.

1 Consider some organisational changes you might make to take into account this learning.

2 Consider how you might prepare your organisation for these changes to mitigate immediate negative impact on strategic objectives due to change.

Customised positioning

Customised positioning is also known as one-to-one marketing, and is a strategy by which organisations focus on building strong, ongoing and personalised relationships with their consumers.

A term often used to describe this is "a segment of one" – relating directly to how a single consumer can be defined by unique characteristics or groups of characteristics that would typically be used to segment similar consumers together in previous targeting activations.

Another term often used to describe this is "personalised marketing" – because in strategies utilising customised positioning a consumer receives communication, promotions and offers that are directly tailored to their unique behaviours and demands.

Some advantages of one-to-one marketing include:

- Building long-term relationships with consumers that increase in closeness and therefore value over time.
- Identifying and nurturing the most profitable consumer relationships.
- Spending less on marketing campaigns that reach irrelevant or unsuitable segments.
- Targeting multiple segments with only relevant messaging - different messaging for different customers.
- Increasing knowledge and awareness about customer behaviour, desires etc.

Disadvantages of one-to-one marketing include:

- Cost of creating and updating many customer profiles.
- Operational and financial cost of creating and maintaining a customer database.
- Consumer privacy issues – some consumers may find this level of personalisation invasive.

CASE STUDY: PERSONALISED MARKETING IN ACTION

While one-to-one marketing originated in CRM and email marketing, it has expanded out to include wider digital journeys including social media marketing and PPC.

Go4Less is a travel company which uses personalised marketing to increase their number of bookings. They use social media advertising to reach a large and broad audience. Based on which pages the audience interacted with on the organisation's website, the audience are sent a series of personalised emails and social media adverts related to the content they engaged with.

This personalised approach has led to a significant increase in sales due to the relevance of the content to the consumer.

OVER TO YOU

Activity 7: Explain why now is such a key time for one-to-one marketing

Taking into account all that you've learned about the benefits and disadvantages of personalised marketing, write down some suggestions of why you think it's so popular now.

Strategic marketing is not simply creating a plan. Beyond learning about all of the elements of an organisation that impact the potential effectiveness and efficiency of the plan, an organisation must constantly evolve to meet the challenges of a fast-changing world.

By knowing which factors are the most important to an organisation and finding sensible ways to keep up with these and integrate significant changes into the activities contributing to achieving the organisation's overall mission and objectives.

READING LIST

- Brooks, N. and Simkin, L. (2012), "Judging marketing mix effectiveness", *Marketing Intelligence & Planning*, Vol. 30, Issue 5, pp. 494–514. (This article will be available in your online student resources.)
- Grossberg, K.A. (2016), "The new marketing solutions that will drive strategy implementation", *Strategy & Leadership*, Vol. 44, Issue 3, pp. 20–26. (This article will be available in your online student resources.)
- Hwang, J. and Kandampully, J.(2015), "Embracing CSR in pro-social relationship marketing program: understanding driving forces of positive consumer responses", *Journal of Services Marketing*, Vol. 29, Issue 5, pp. 344–353. (This article will be available in your online student resources.)
- Shen, A. (2014), "Recommendations as personalized marketing: insights from customer experiences", *Journal of Services Marketing*, Vol. 28, Issue 5, pp. 414–427. (This article will be available in your online student resources.)

Summary

This chapter has shown the importance of ensuring that an organisation is able to work towards its strategic marketing plans, and that it's able to continually adapt to the most impactful trends in the wider technology and marketing space that could influence its effectiveness. This includes keeping track of the success of activities using relevant marketing metrics and KPIs, and using these to identify and resolve any performance gaps or organisational challenges.

Appendix

Strategic marketing plan template

Your study guide gives in-depth information and learnings about what is required to build a strategic marketing plan, and the wider context to inform each element of the plan.

This template puts those learnings into an actionable order, and allows you to build a plan and prepare to put it into action.

1 Understanding corporate objectives

Identifying, mapping and communicating with stakeholders:

- who are they?
- what are their interests?
- prioritising interests

Based on stakeholder mapping, define:

- organisation mission statement
- organisation purpose
- organisation vision
- organisation objectives

2 Marketing research

Organisational capabilities:

- conduct a SWOT analysis

Competitor analysis:

- establish scale of rivalry and gaps in the market

Environment analysis:

- macro-environment
- micro-environment

Customer analysis:

- understand customer needs
- define potential customer types and segments

Based on the above, establish:

- route to market
- marketing model
- competitive advantage

3 Defining marketing responsibility

Define marketing goals:

- using SMART framework

Target market evaluation:

- build audience profiles

Positioning and branding:

- establish appropriate positioning to reach above audience profiles

4 Creating the marketing mix

For each target market segment, define:

- product (including brand and positioning)
- place (distribution methods, including online)
- promotion (activities)
- pricing strategy (including discounts, etc.)

And if providing a service:

- people
- processes
- physical evidence

Allocation of resources appropriate to fulfil marketing mix:

- human
- financial
- accompanied by appropriate schedule

5 Measuring impact

Establish relevant marketing metrics:

- KPIs for each activity

Identify performance gaps:

- value chain analysis
- processes to maintain awareness

Risk management and control processes:

- what could go wrong?
- how will you prevent this?

Implementation processes:

- task ownership
- KPI ownership
- reporting and scheduling plan

Glossary

Accountability Taking responsibility or ownership for a task or result, and the associated consequences.

Accreditation Officially recognised to perform skill or service.

Activation The execution of the marketing mix as part of the marketing process, coming after the planning phase.

Aesthetic Related to beauty or visual appearance.

Agile Able to move and change quickly.

Benchmarking Evaluating or comparing against a set marker.

Brand concept The meaning or idea associated with a "brand".

Brand recall Extent to which an audience segment recognises a brand in a particular context.

Brand sentiment Attitude or emotional response to a brand.

Branding Unique image and style related to an organisation.

Business functions The part of an organisation responsible for carrying out specific tasks, i.e. the marketing function, the sales function.

Causal relationship When one variable automatically leads to another.

Competitive advantage A feature or circumstance that puts an organisation ahead of its competitors.

Consumer rights Laws, guidelines and regulations that protect consumers from harm.

Crowdfunding Raising money from a large number of people, usually online.

Differential advantage A benefit that the customer perceives cannot be found with a competitor organisation.

Dominance Power or supremacy over other competitors.

Efficiency A positive ratio of effort to result.

Exponential An increase in the rate of growth.

Financial runway Amount of time before funding will run out.

Forecasting Prediction or estimate, usually of financials or other business results.

Frameworks Basic structures underlying a system.

Implementation The process of putting a plan into action.

Interconnectivity Connected ideas and actions, across industry, organisation or territory.

Management process Methods aiding the running of the business.

Market segments Parts of potential market divided by characteristic.

Market size Number of individuals within a segment.

Marketing mix The relevant and up-to-date formula for reaching the right customer, at the right time, with the right price.

Multinationals Organisations operating in several countries.

Profitable Organisation, department or process that makes more money than it spends.

Rational Based on logic or reason.

Route to market How an organisation plans to make sales.

Stakeholder mapping model Systemic process to monitor stakeholders and related information.

Strategic partners Mutually beneficial alliance between multiple organisations.

Transactional Based around the exchange of goods or services and finances.