Chapter 2: Company and Marketing Strategy

Partnering to Build Customer Engagement, Value, and Relationships
Company and Marketing Strategy

Nike’s outstanding success results from much more than just making good sports gear. The iconic company’s strategy is to build engagement and a sense of community with and between the Nike brand and its customers.
Company and Marketing Strategy

Learning Objectives

• **Objective 1:** Explain company-wide strategic planning and its four steps.

• **Objective 2:** Discuss how to design business portfolios and develop growth strategies.

• **Objective 3:** Explain marketing’s role in strategic planning and how marketing works with its partners to create and deliver customer value.
Company and Marketing Strategy

Learning Objectives

• **Objective 4:** Describe the elements of a customer value-driven marketing strategy and mix, and the forces that influence it.

• **Objective 5:** List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
Company and Marketing Strategy

Learning Objective 1

• Explain company-wide strategic planning and its four steps.

Company-Wide Strategic Planning: Defining Marketing’s Role
Strategic planning is the process of developing and maintaining a strategic fit between the organization’s goals and capabilities, and its changing marketing opportunities.
Company-Wide Strategic Planning

Steps in Strategic Planning

**Figure 2.1** Steps in Strategic Planning

- Defining the company mission
- Setting company objectives and goals
- Designing the business portfolio

**Corporate level**

**Planning marketing and other functional strategies**

Company-wide strategic planning guides marketing strategy and planning.

Like the marketing strategy, the broader company strategy must be customer focused.
Company-Wide Strategic Planning

Defining a Market-Oriented Mission

• The mission statement is the organization’s purpose; what it wants to accomplish in the larger environment.

IBM’s customer-focused mission is summed up by the company’s marketing and positioning campaign: “Let’s Build a Smarter Planet.”

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Company-Wide Strategic Planning

Setting Company Objectives and Goals

<table>
<thead>
<tr>
<th>Business objectives</th>
<th>Marketing objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Build profitable customer relationships</td>
<td>• Increase market share</td>
</tr>
<tr>
<td>• Invest in research</td>
<td>• Create local partnerships</td>
</tr>
<tr>
<td>• Improve profits</td>
<td>• Increase promotion</td>
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</tbody>
</table>
Heinz’s overall objective is to build profitable customer relationships by developing foods “superior in quality, taste, nutrition, and convenience” that embrace its nutrition and wellness mission.
Company and Marketing Strategy

Learning Objective 1

• Explain company-wide strategic planning and its four steps.

Company-Wide Strategic Planning: Defining Marketing’s Role

- Strategic Planning
- Steps in Strategic Planning
- Defining a Market-Oriented Mission
- Setting Company Objectives and Goals
Company and Marketing Strategy

Learning Objective 2

• Discuss how to design business portfolios and develop growth strategies.

Designing the Business Portfolio
The business portfolio is the collection of businesses and products that make up the company. 

Portfolio analysis is a major activity in strategic planning whereby management evaluates the products and businesses that make up the company.
Designing the Business Portfolio

Strategic business units can be a
• Company division
• Product line within a division
• Single product or brand
Designing the Business Portfolio

Analyzing the Current Business Portfolio

1. Identify strategic business units (SBUs)
2. Assess the attractiveness of its various SBUs
3. Decide how much support each SBU deserves
Designing the Business Portfolio

Analyzing the Current Business Portfolio

Growth-share matrix is a portfolio-planning method that evaluates a company’s SBUs in terms of market growth rate and relative market share.
Designing the Business Portfolio

Analyzing the Current Business Portfolio

FIGURE 2.2 The BCG Growth-Share Matrix
Designing the Business Portfolio

Problems with Matrix Approaches

• Difficulty in defining SBUs and measuring market share and growth
• Time consuming
• Expensive
• Focus on current businesses, not future planning

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Designing the Business Portfolio

Developing Strategies for Growth and Downsizing

Product/market expansion grid looks at new products, existing products, new markets, and existing markets for company growth opportunities.
Designing the Business Portfolio

Developing Strategies for Growth and Downsizing

FIGURE 2.3 The Product/Market Expansion Grid
Designing the Business Portfolio

Developing Strategies for Growth and Downsizing
Designing the Business Portfolio

Developing Strategies for Growth and Downsizing

**Downsizing** is when a company must prune, harvest, or divest businesses that are unprofitable or that no longer fit the strategy.
Company and Marketing Strategy

Learning Objective 2

• Discuss how to design business portfolios and develop growth strategies.

Designing the Business Portfolio

• Analyzing the Current Business Portfolio
  - Growth-share matrix

• Strategies for Growth and Downsizing
  - Product/market expansion grid
Learning Objective 3

• Explain marketing’s role in strategic planning and how marketing works with its partners to create and deliver customer value.

Planning Marketing: Partnering to Build Customer Relationships
Partnering with Other Company Departments

Value chain is a series of departments that carry out value-creating activities to design, produce, market, deliver, and support a firm’s products.
Planning Marketing: Partnering to Build Customer Relationships

Partnering with Other Company Departments
Partnering with Others in the Marketing System

Value delivery network is made up of the company, suppliers, distributors, and ultimately customers who partner with each other to improve performance of the entire system.
Company and Marketing Strategy

Learning Objective 3

• Explain marketing’s role in strategic planning and how marketing works with its partners to create and deliver customer value.

Planning Marketing: Partnering to Build Customer Relationships

- Partnering with Other Company Departments
- Partnering with Others in the Marketing System
Learning Objective 4

• Describe the elements of a customer value-driven marketing strategy and mix, and the forces that influence it

Marketing Strategy and the Marketing Mix
Marketing strategy involves two key questions: Which customers will we serve (segmentation and targeting)? and How will we create value for them (differentiation and positioning)? Then, the company designs a marketing program—the four Ps—that delivers the intended value to targeted consumers.
Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Marketing strategy is the marketing logic by which the company hopes to create customer value and achieve profitable customer relationships.
Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Market segmentation is the division of a market into distinct groups of buyers who have different needs, characteristics, or behaviors and who might require separate products or marketing mixes.

Market segment is a group of consumers who respond in a similar way to a given set of marketing efforts.
Customer Value-Driven Marketing Strategy

Market targeting is the process of evaluating each market segment’s attractiveness and selecting one or more segments to enter.

Market positioning is the arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

Differentiation begins the positioning process.
Positioning: The 100-year-old Del Monte brand positions itself as “Bursting with Life: Made in America. Picked and packed at the peak of ripeness. Same essential ingredients as fresh.”

- Del Monte Corporation
**Marketing mix** is the set of controllable, tactical marketing tools—product, price, place, and promotion—that the firm blends to produce the response it wants in the target market.
Marketing Strategy and the Marketing Mix

Developing an Integrated Marketing Mix

The marketing mix—or the four Ps—consists of tactical marketing tools blended into an integrated program that actually engages target customers and delivers the intended customer value.

Product
- Variety
- Quality
- Design
- Features
- Brand name
- Packaging
- Services

Price
- List price
- Discounts
- Allowances
- Payment period
- Credit terms

Target customers

Intended positioning

Promotion
- Advertising
- Personal selling
- Sales promotion
- Public relations

Place
- Channels
- Coverage
- Locations
- Inventory
- Transportation
- Logistics
Company and Marketing Strategy

Learning Objective 4

• Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence it.

Marketing Strategy and the Marketing Mix

- Customer Value-Driven Marketing Strategy
- Developing an Integrated Marketing Mix
Learning Objective 5

• List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.

Managing the Marketing Effort
Measuring and Managing Return on Marketing Investment
Managing the Marketing Effort

Marketing Analysis

The first part of the chapter dealt with this—developing company-wide and marketing strategies and plans.

Planning
- Develop strategic plans
- Develop marketing plans

Implementation and Organization
- Carry out the plans

Control
- Measure results
- Evaluate results
- Take corrective action

We’ll close the chapter by looking at how marketers manage those strategies and plans—how they implement marketing strategies and programs and evaluate the results.
Managing the Marketing Effort

Marketing Analysis – SWOT Analysis

Internal

- **Strengths**
  - Internal capabilities that may help a company reach its objectives

External

- **Opportunities**
  - External factors that the company may be able to exploit to its advantage

- **Weaknesses**
  - Internal limitations that may interfere with a company’s ability to achieve its objectives

- **Threats**
  - Current and emerging external factors that may challenge the company’s performance

Positive

Negative

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Managing the Marketing Effort

Market Planning—Parts of a Marketing Plan

- Executive summary
- Marketing situation
- Threats and opportunities
- Objectives and issues
- Marketing strategy
- Action programs
- Budgets
- Controls
Managing the Marketing Effort

Marketing Implementation

• Turning marketing strategies and plans into marketing actions to accomplish strategic marketing objectives

• Addresses who, where, when, and how
Managing the Marketing Effort

Marketing Department Organization

- Functional
- Geographic
- Product management
- Market
- Customer management
Managing the Marketing Effort

Marketing Control

• Evaluating results
• Taking corrective action
• Operating control
• Strategic control
Measuring and Managing
Return on Marketing Investment

Return on Marketing Investment (Marketing ROI)

• Net return from a marketing investment divided by the costs of the marketing investment

• Measurement of the profits generated by investments in marketing activities
Measuring and Managing Return on Marketing Investment

Figure 2.8: Marketing Return on Investment


Beyond measuring marketing return on investment in terms of standard performance measures such as sales or market share, many companies are using customer relationship measures, such as customer satisfaction, engagement, retention, and equity. These are more difficult to measure but capture both current and future performance.
Company and Marketing Strategy

Learning Objective 5

• List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.

  - Analysis (SWOT)
  - Planning
  - Implementation
  - Department Organization
  - Control
  - ROI