

Chapter 2

Planning, Implementing and Evaluating Marketing Strategies

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Target Market Revisited

- What is a Target Market?
 - A group of people or businesses who you believe are most likely to buy your product or service
 - The group of people you target with your marketing activities
- Why is it important to define your target market carefully?
 - To determine if there are enough potential customers for your business
 - tailor your products and services to better meet your customers' needs and desires
 - To target your marketing efforts to reach your most promising prospects, and

Learning Objectives

- How does a strategic planning process work?
- How do you implement a marketing strategy?
- How does a company develop a strategic marketing plan?
- Case study: Disney's strategic planning process

What should you be able to do after today's class?

- Understand how a company develops a strategic marketing plan
- Understand how to complete a SWOT analysis

Key Terms for Today

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

What does it mean to be strategic?

- Identifying a long-term goal and planning systematically to achieve that goal
- Examples:
 - Getting an A in this marketing class! 😊
 - Transferring to a four-year college
 - Starbucks partnership with Barnes and Noble was a strategic move to increase their ability to reach more consumers
 - Eli Lilly enters into many strategic partnerships to discover and manufacture new drugs

What is a Core Competency?

Core competencies typically comprise fundamental knowledge, ability or expertise in a specific subject area or skill set, and allow a business to reach a wide range of markets.

- A core competency is something you do extremely well that is hard to duplicate
- Within a company, a unique characteristic or capability that provides competitive advantage and delivers value
- Cannot be easily replicated by competitors
- Examples:
 - Black & Decker makes great small motors
 - 3M makes adhesives and coatings
 - Apple has a core competency in design
 - Amazon.com's distribution system

What is a Competitive Advantage?

- An advantage that a firm has over its competitors, allowing it to generate greater sales or profits and/or retain more customers than its competition
- Examples:
 - Companies with strong brands have a competitive advantage (Disney, Apple, Virgin...). Why?
 - IKEA has a competitive advantage in its ability to supply good-looking, low-cost furniture
 - Chipotle has an advantage as it claims to deliver fresh, tasty, healthy food, sources locally at a low price point

What is a First Mover Advantage?

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

- A form of competitive advantage that a company earns by being the first to enter a specific market or industry.
 - What are the disadvantages to being first?
- Examples:
 - Tesla's luxury electric car
 - Sony Betamax... and then what happened?

What is a Marketing Objective?

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

What are the key functional areas of a business?

- Research and Development
- Production
- Marketing
- Operations
- Finance
- Human Resources

What is Strategic Marketing Management?

- Effectively and efficiently planning, implementing and evaluating the performance of marketing activities and strategies to achieve the organizations objectives

Introduction of the Kindle

- What was Amazon's key motivator to introduce the Kindle?
 - Amazon is not known for developing and selling hardware and software
- Was it a strategic move?



The Strategic Planning Process

STEP 1

Establish the organization's **mission and goals**

STEP 2

Establish the company's **corporate strategy**

STEP 3

Assess the external and internal environment (SWOT)

STEP 4

Align the **company's resources and functional areas** to achieve the goal

MARKETING

- Objectives
- Strategy
- Marketing Plan

FINANCE

- Objectives
- Strategy
- Finance plan

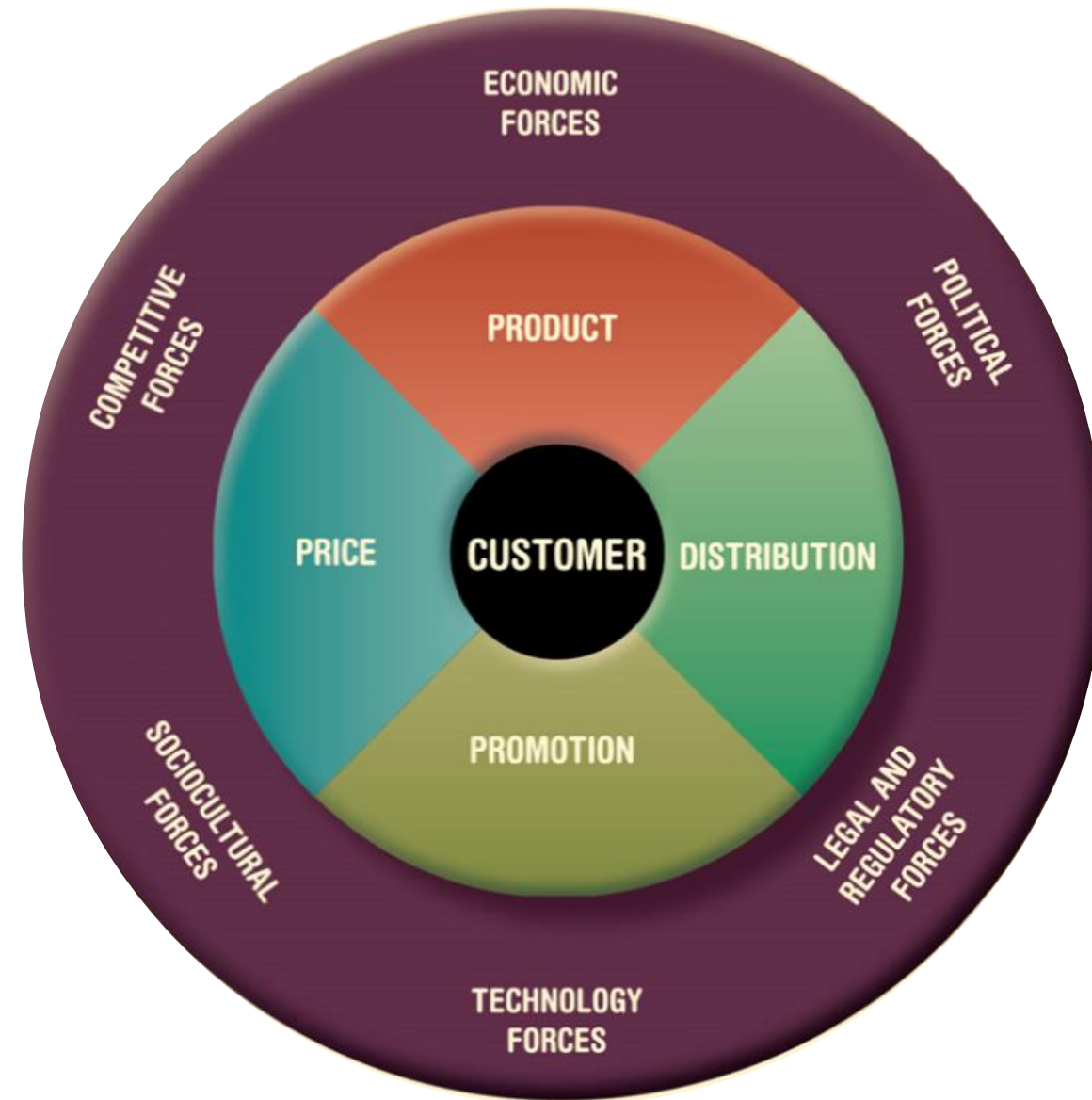
PRODUCTION

- Objectives
- Strategy
- Production Plan

HUMAN RESOURCES

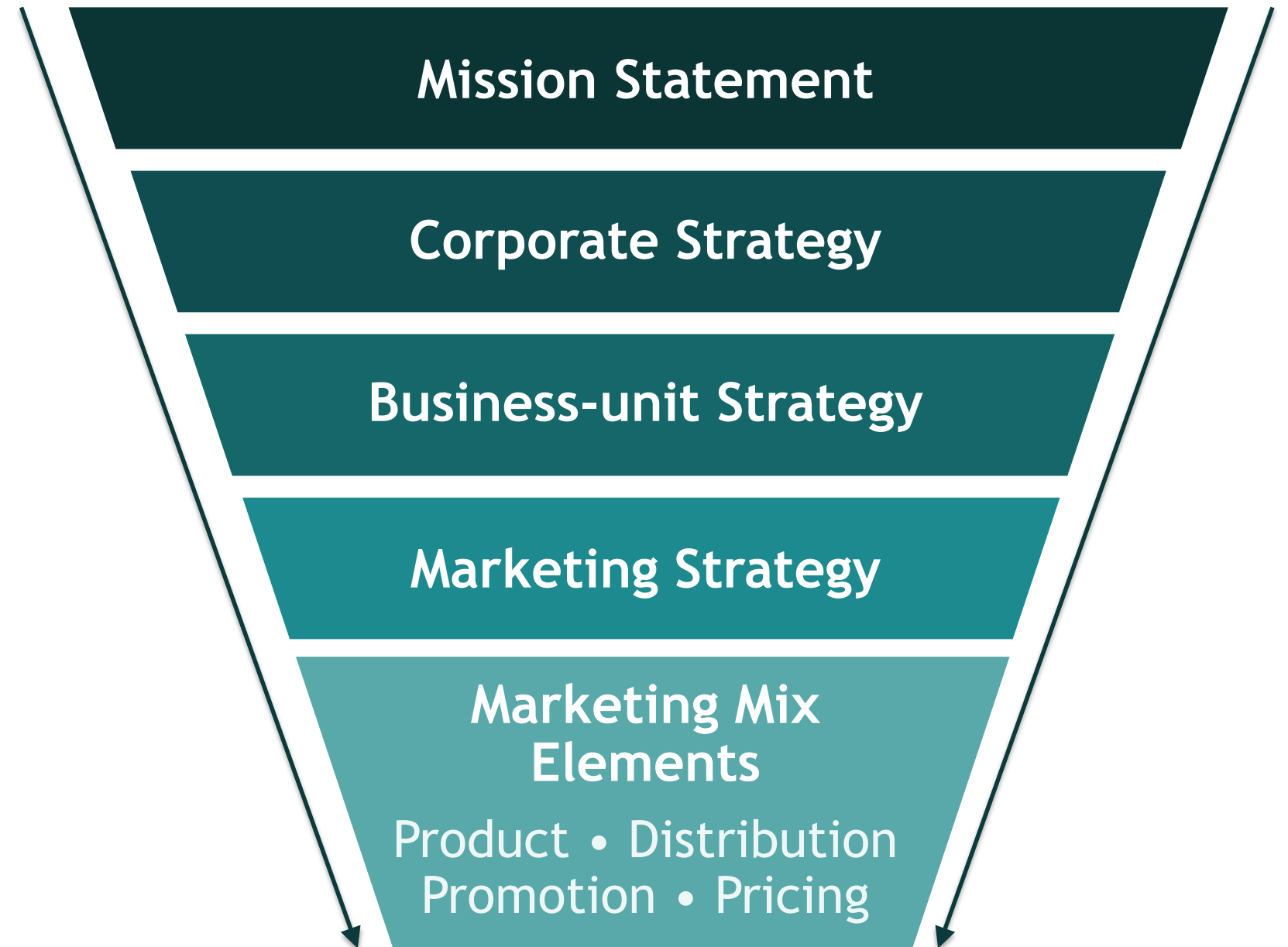
- Objectives
- Strategy
- Human resource plan

External Analysis



- Economic
- Competitive
- Sociocultural
- Technology
- Legal & Regulatory
- Political

The Strategic Planning Funnel



Internal SWOT Analysis

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

The SWOT Analysis



SWOT Analysis

SWOT Analysis

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



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



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



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





SWOT Analysis

STRENGTHS

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

WEAKNESSES

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

OPPORTUNITIES

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

THREATS

- Increasing complexity of online transaction model
- Other online retailers exiting from the market, causing an added load on Amazon
- Lack of confidence in the new revenue model of online players
- Existing competition from the traditional retailers
- Pressure from investors/shareholders to generate profits

Strategic Planning at:



The
WALT DISNEY
Company

Walt Disney Company Mission Statement

“

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

”

What is Disney's Corporate Strategy?

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

This was Walt's strategy in 1957 too...



Let's see how Disney implemented their strategic plan for one Franchise

Cars products were launched across all business units



Then there was Cars 2 and they did it all over again... Better and cheaper

What is Disney Publishing's Strategy?



Disney Publishing
Worldwide

- Create products to support the corporate strategy to maximize the value of the Cars franchise
 - Books
 - Magazines
 - E-reading products
 - Comic books
 - Educational content for the classroom

What is the marketing objective for the Books division?

S

We have a well-oiled creative process and reliable authors

W

Our content approval process takes a long time

(example)

Cars books could appeal to a larger demographic than kids

T

There are so many books about cars in the marketplace

O

What is the marketing objective for the Books division?

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

Develop the Marketing Mix for the Products

PRODUCTS

- Hardcover
- Softcover
- By age
- Modifications for international markets

PRICE

- Premium
- Bundling
- Book Clubs
- Wholesalers

DISTRIBUTION

- Bookstores
- Online
- Schools

PROMOTION

- Newspapers
- Commercials?
- Reviewers
- Social Marketing