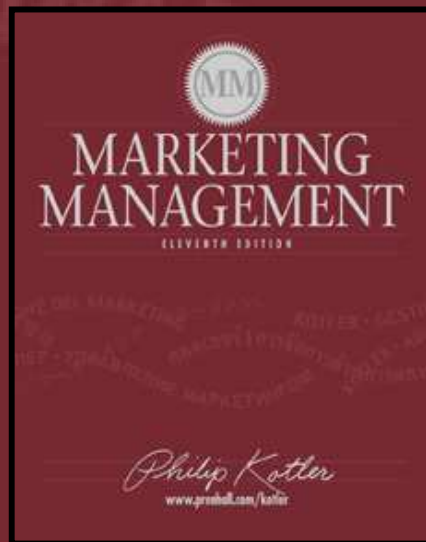


Chapter 4

Winning Markets Through Market-Oriented Strategic Planning

by *Philip Kotler*



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Kotler on Marketing

It is more important to do what is strategically right than what is immediately profitable.



Chapter Objectives

- **In this chapter, we examine the following questions:**
 - **How is strategic planning carried out at the corporate and division levels?**
 - **How is planning carried out at the business unit level?**
 - **What are the major steps in the marketing process?**
 - **How is planning carried out at the product level?**
 - **What does a marketing plan include?**

Strategic Planning: Three Key Areas and Four Organization Levels

- **Strategic marketing plan**
- **Tactical marketing plan**
- **Marketing plan**

Corporate and Division Strategic Planning

- **All corporate headquarters undertake four planning activities**
 - **Defining the Corporate Mission**
 - **Establishing Strategic Business Units (SBUs)**
 - **Assigning resources to each SBU**
 - **Planning new businesses, downsizing, or terminating older businesses**

Corporate and Division Strategic Planning

- **Defining the Corporate Mission**
 - **Mission statements define which competitive scopes the company will operate in**
 - **Industry scope**
 - **Products and applications scope**
 - **Competence scope**
 - **Market-segment scope**
 - **Vertical scope**
 - **Geographical scope**

Discussion Question

Can you name a company that has recently changed its product scope or market segment scope in a very public way? Was this an expansion or contraction of scope?



Corporate and Division Strategic Planning

- **Establishing Strategic Business Units (SBUs)**



Table 4.1: Product-Oriented versus Market-Oriented Definitions of a Business

Company	Product Definition	Market Definition
Missouri-Pacific Railroad	We run a railroad	We are a people-and-goods mover
Xerox	We make copying equipment	We help improve office productivity
Standard Oil	We sell gasoline	We supply energy
Columbia Pictures	We make movies	We market entertainment
Encyclopaedia	We sell encyclopedias	We distribute Information
Carrier	We make air conditioners and furnaces	We provide climate control in the home

Corporate and Division Strategic Planning

- **Three characteristics of SBUs**
 - **Single business or collection of related businesses that can be planned for separately**
 - **Has its own set of competitors**
 - **Has a manager who is responsible for strategic planning and profit**

- **The Growth-Share Matrix**
 - **Relative market share**
 - **Four Cells**
 - **Question Marks**
 - **Stars**
 - **Cash Cows**
 - **Dogs**
- **SBU Strategies**
- **SBU Lifecycle**

Discussion Question

Can you give an example of a “Star” that skipped “Cash Cow”, and went straight to “Dog” status?



Corporate and Division Strategic Planning

- **The General Electric Model**



Table 4-2: Factors underlying Market Attractiveness and Competitive Position in GE Multifactor Portfolio Model: Hydraulic-Pumps Market

		<u>Weight</u>	<u>Rating =</u> <u>(1-5)</u>	<u>Value</u>
Market Attractiveness	Overall market size	0.20	4	0.80
	Annual market growth rate	0.20	5	1.
	Historical profit margin	0.15	4	0.60
	Competitive intensity	0.15	2	0.30
	Technological requirements	0.15	4	0.60
	Inflationary vulnerability	0.05	3	0.15
	Energy requirements	0.05	2	0.10
	Environmental impact	0.05	3	0.15
Social-political-legal	Must be acceptable 1.0			3.70
Business Strength	Market share	0.10	4	0.40
	Share growth	0.15	2	0.30
	Product quality	0.10	4	0.40
	Brand reputation	0.10	5	0.50
	Distribution network	0.05	4	0.20

See text for complete table-111

Corporate and Division Strategic Planning

- Critique of Portfolio Models
- Planning New Businesses, Downsizing Older Businesses



Corporate and Division Strategic Planning

- **Intensive Growth**



Starbucks' home page: Customers can request a catalog of Starbucks products, subscribe to a newsletter, and shop online

The screenshot shows the Starbucks homepage in Microsoft Internet Explorer. The browser window title is "Starbucks Homepage - Microsoft Internet Explorer". The address bar shows "http://www.starbucks.com/". The page features the Starbucks logo and "STARBUCKS.COM" at the top. A navigation menu on the left includes "north america", "shop online" (with sub-links for coffee, tazo tea, and hear music), "our stores" (with sub-links for store locator and starbucks card), "in grocery", "for business", "about us" (with sub-links for jobs and social responsibility), and "worldwide". The main content area is divided into sections: "Discover" with a "Wednesdays in our stores" promotion (mmm Mocha Day) and "The world of coffee" section, a "Global citizenship" section, and a "Connect" section with a search bar and "go" button. The "Respond" section includes a "Subscribe to our newsletter" form with an "Enter email address" field and a "go" button. A "Sign In" link is visible in the top right corner. A small globe icon is located in the bottom left corner of the slide.



Corporate and Division Strategic Planning

- **Integrative Growth**
- **Diversification Growth**
- **Downsizing Older Businesses**



Discussion Question

Give an example of a market segment where integrative growth would be preferable to growth through diversification. Explain why one approach is better than the other.



Business Unit Strategic Planning

- **Business Mission**
- **SWOT Analysis**
 - **External Environment Analysis
(Opportunity and Threat Analysis)**
 - **Marketing Opportunity**
 - **Buying opportunity more convenient or efficient**
 - **Meet the need for more information and advice**
 - **Customize an offering that was previously only available in standard form**

Discussion Question

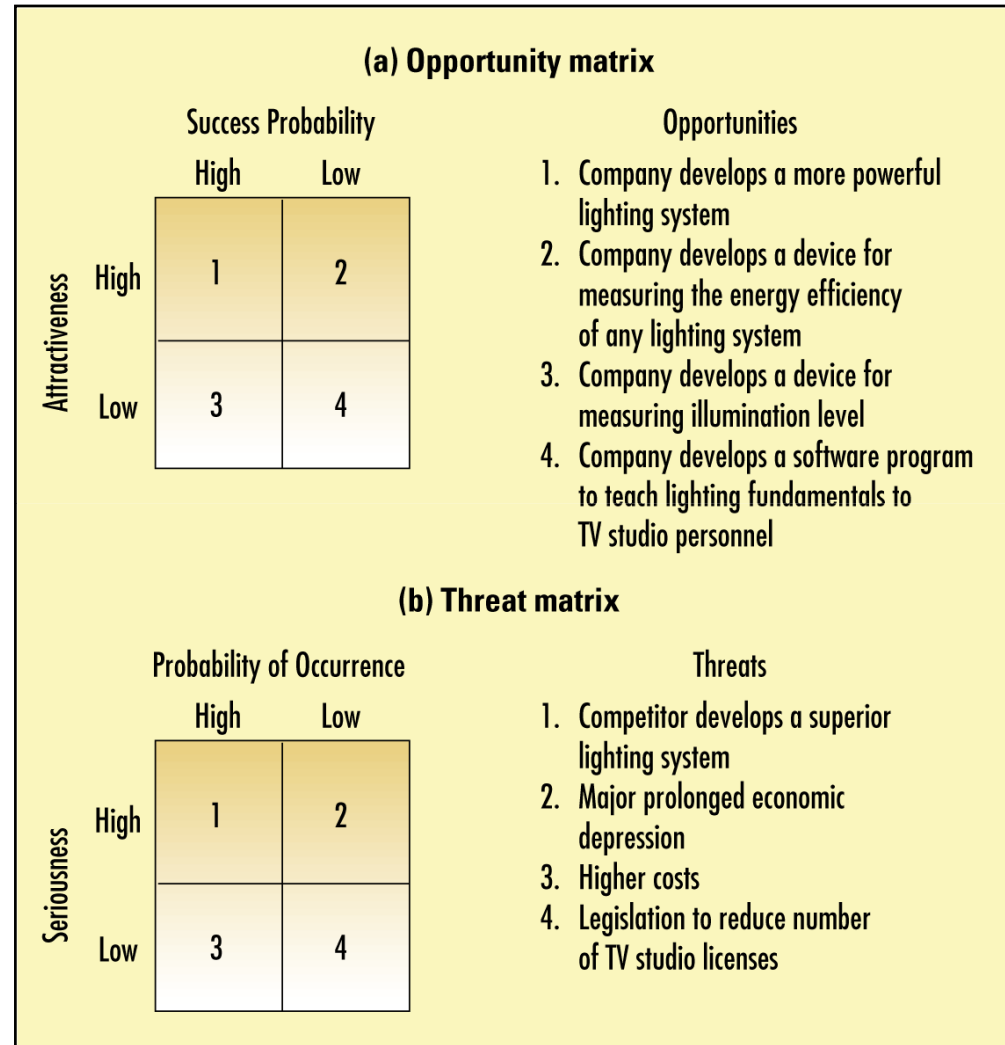
Give some examples of companies that have grown to dominate their market segment by using technology to make buying opportunities more convenient and efficient.



Business Unit Strategic Planning

- **Marketing Opportunity Analysis (MOA)**
 - **Can the benefits be articulated to a target market?**
 - **Can the target market be reached with cost-effective media and trade channels?**
 - **Does the company have the critical capabilities to deliver the customer benefits?**
 - **Can the company deliver these benefits better than any actual or potential competitors?**
 - **Will the rate of return meet the required threshold of investment?**

Figure 4-7: Opportunity and Threat Matrices



Business Unit Strategic Planning

- **Internal Environmental Analysis
(Strength/Weakness Analysis)**
- **Goal Formation**
- **Strategic
Formulation**
 - **Strategy**



Business Unit Strategic Planning

- **Porter's Generic Strategies**
 - **Overall cost leadership**
 - **Differentiation**
 - **Focus**



Travelocity's Web site helps the consumer plan the whole vacation – flights, lodging, and car rental.com

Travelocity.com
A Sabre Company

Welcome to Travelocity.com!
Already a member? [Log-in here.](#)

Home Dream, Plan, Go Flights Lodging Cars/Rail Vacations Cruises Deals/Rewards My Stuff

Search Destination:

Flights
Find me the best round-trip

From:
To:
Adults: 1

My dates are flexible
 I need to depart:
and return:

[More Search Options](#)
[Dream Maps](#)

Travel advice personalized for you.
Let our Trip Expert help you.

[Express Request](#)
Find a destination that's perfect for you.
[Someplace Similar](#)
A new favorite, based on an old one.
[Destination Check](#)
See if a specific place is right for you.
[Dream, Plan, Go](#)

Fare Watcher [Personalize](#)

\$98	Boston Orlando	\$142	Boston Philadelphia
\$67	Los Angeles Las Vegas	\$190	New York San Francisco

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Business Unit Strategic Planning

- **Operational Effectiveness and Strategy**
 - **Strategic group**
 - **Strategic alliances**



Business Unit Strategic Planning

- **Marketing Alliances**
 - **Product or service alliances**
 - **Promotional alliances**
 - **Logistical alliances**
 - **Pricing collaborations**
- **Partner Relationship Management, PRM**
- **Program Formulation and Implementation**



Business Unit Strategic Planning

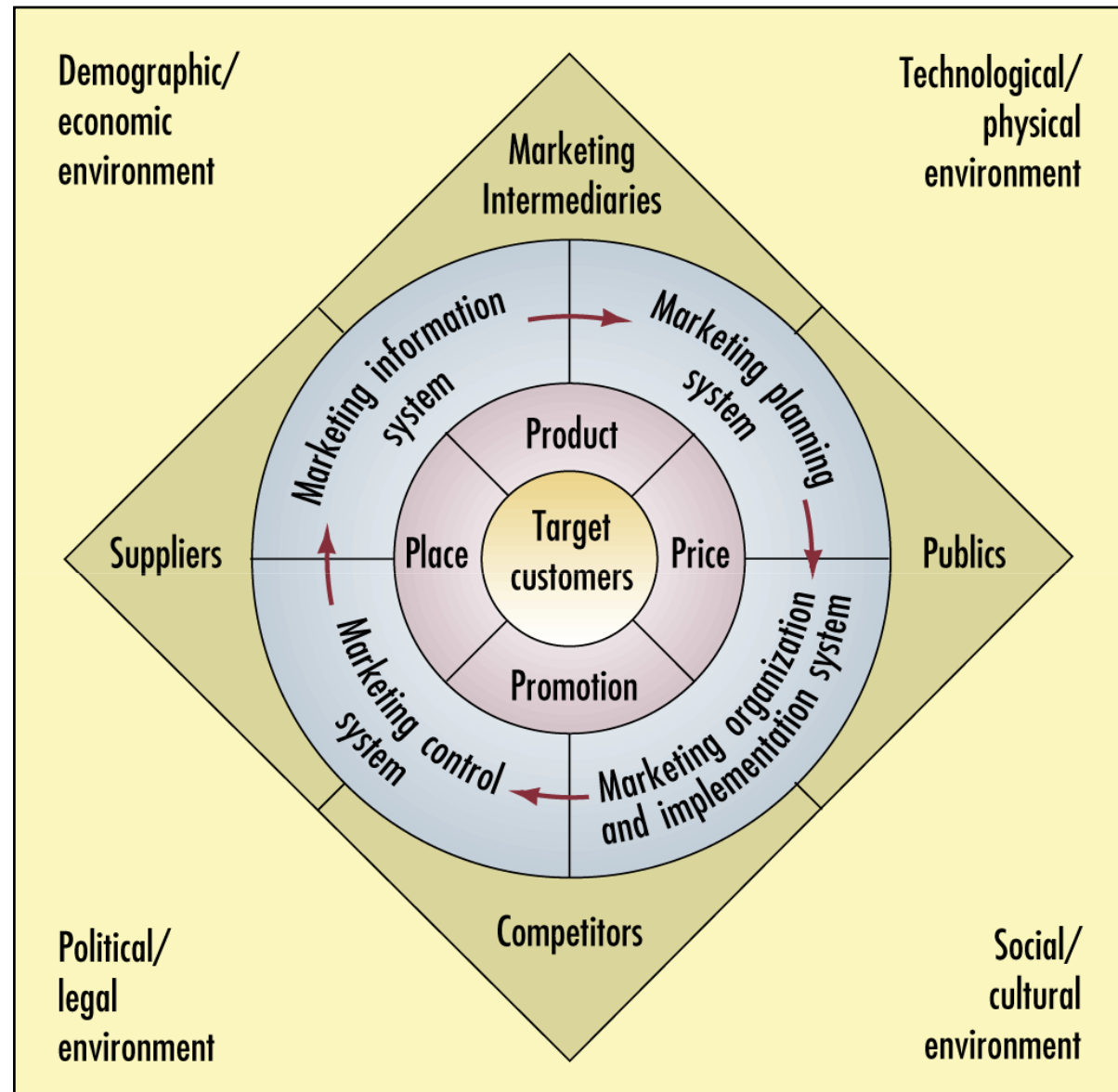
- **Feedback and Control**



The Marketing Process

- **Steps in the Planning Process**
 - The marketing process
- **Analyzing Market Opportunities**
- **Developing Marketing Strategies**
- **Planning Marketing Programs**
- **Managing the Marketing Effort**
 - Annual-plan control
 - Profitability control
 - Strategic control

**Figure 4-10:
Factors
Influencing
Company
Marketing
Strategy**



Product Planning: The Nature and Contents of a Marketing Plan

- **Contents of the Marketing Plan**
 - **Executive Summary**
 - **Current Marketing Situation**
 - **Opportunity and issue analysis**
 - **Objectives**
 - **Marketing strategy**
 - **Action programs**
 - **Financial projections**
 - **Implementation controls**

Product Planning: The Nature and Contents of a Marketing Plan

- **Sample Marketing Plan: Sonic Personal Digital Assistant**
 - **Current Marketing Situation**
 - **Opportunity and Issue Analysis**
 - **Objectives**
 - **Action Programs**
 - **Financial Projections**

Product Planning: The Nature and Contents of a Marketing Plan

- **Implementation Controls**
- **Marketing Strategy**
 - **Positioning**
 - **Product Management**
 - **Pricing**
 - **Distribution**
 - **Marketing Communications**
 - **Marketing Research**

