Strategic Planning and the Marketing Process

Chapter Two
Formal Planning

- Many companies operate without formal plans, yet these plans can provide many benefits such as:
  - Encouraging management to think ahead systematically.
  - Forcing managers to clarify objectives and policies.
  - Better coordination of company efforts.
  - Clearer performance standards for control.
  - Helping the company to anticipate and respond quickly to environmental changes and sudden developments.
Strategic Planning is the Process of Developing and Maintaining a Strategic Fit Between the Organization’s Goals and Capabilities.
Steps in Strategic Planning

Corporate Level

- Defining the Company Mission
- Setting Company Objectives and Goals
- Designing the Business Portfolio

Business unit, product, and market level

Planning, marketing, and other functional Strategies
A *Mission Statement* is a Statement of the Organization’s Purpose.

- **Market Oriented**
- **Realistic**
- **Specific**
- **Fit Market Environment**
- **Distinctive Competencies**
- **Motivating**

Defining the Company’s Business and Mission
Setting Company Objectives and Goals

Mission Statement

Marketing Objective # 1
  - Marketing Strategy

Marketing Objective # 2
  - Marketing Strategy

Marketing Objective # 3
  - Marketing Strategy
Designing the Business Portfolio

- The business portfolio is the collection of businesses and products that make up the company.

- The company must:
  - analyze its current business portfolio or Strategic Business Units (SBU’s)
  - decide which SBU’s should receive more, less, or no investment
  - develop growth strategies for adding new products or businesses to the portfolio
Analyzing Current SBU’s: Boston Consulting Group Approach

Relative Market Share

<table>
<thead>
<tr>
<th>High Market Growth Rate</th>
<th>Low Market Growth Rate</th>
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<tbody>
<tr>
<td><strong>Stars</strong></td>
<td><strong>Question Marks</strong></td>
</tr>
<tr>
<td>- High growth &amp; share</td>
<td>- High growth, low share</td>
</tr>
<tr>
<td>- Profit potential</td>
<td>- Build into Stars or phase out</td>
</tr>
<tr>
<td>- May need heavy</td>
<td>- Require cash to hold</td>
</tr>
<tr>
<td>investment to grow</td>
<td>market share</td>
</tr>
</tbody>
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| **Cash Cows**            | **Dogs**               |
| - Low growth, high share | - Low growth & share   |
| - Established, successful SBU’s | - Low profit potential |
| - Produce cash           |                       |
Developing Growth Strategies in the Age of Connectedness

Product/Market Expansion Grid

- **Existing Markets**
  - Existing Products: 1. Market Penetration
  - New Products: 3. Product Development

- **New Markets**
  - Existing Products: 2. Market Development
  - New Products: 4. Diversification
Market Penetration: making more sales to current customers without changing its products.

– How? Add new stores in current market areas, improve advertising, prices, service or store design.
Product/ Market Expansion Grid

**Market Development:** develop new markets for its current products.

- How? Identify new demographic or geographic markets.
Product/ Market Expansion Grid

**Product Development**: offering modified or new products to current markets.

– How? New styles, colors, or modified products.
Product/ Market Expansion Grid

**Diversification**: new products for new markets.

– How? Start up or buy new businesses.
Beyond evaluating current business, designing the business portfolio involves finding future businesses and products the company should consider.

Apply the product/ market expansion grid to assess how one of the following companies might grow:
- Dell computer
- Kodak
- Levis
- Adelie Group