# <u>Marketing Planning & Strategy</u>

**Strategy Perspective**

→ Determining LT goals and objectives and allocating resources to achieve goals
→ About being different (Michael Porter)
→ Choosing a different set of activities to deliver a unique mix of value

1. Who are we and Where are we?
2. Who we want to be and Where do we want to go?
3. How do we get there?

→ Mission Statement = focus on current bs activities (how you'll get to horizon)
'Who we are & what we do' – current products/service offerings & capabilities
Declares the firms reason for being

→ Strategic Vision = concerns a firms future bs path (broad/future orientated)
'Where we are going' – Culture management is trying to create
What the firm strives to achieve in the long run

**Levels of Strategy**

→ Network (defines the boundaries of a firm/interaction with its environment)
→ Corporate (in which bs do we want to compete? How to coordinate this bs?)
→ Business (how to compete in each business)
→ Functional (how to implement strategies within the functional areas of bs)

# Analysing Markets and Industries

**Macro-Economic Environment**

**P**olitical (democracy index)
**E**conomic (oil prices)
**S**ocial
**T**echnological (patent output)
**E**nvironmental
**L**egal

***PESTLEL** influences structural changes in an industry

→ China (problems arise – higher diversity than in Europe)
Ethno groups = completely different markets within the country

**Regional Analysis (Porter Diamond)**

→ **Porters Diamond** *(competition is good)*

**Firm Strategy and Rivalry** (competition makes you stronger)
Place with high rivalry = more customers/access to good employees

**Factor (input) Conditions** (talented labour from other businesses/unis)
Capital source = venture capital firms

**Related and Supporting Industries** (hardware/other software firms)

**Demand Conditions** (most sophisticated demand – regional advantage)
E.g. Silicon Valley for high tech firms, talent pool = innovation learning path
E.g. NY Fashion Industry, most sophisticated demand, not biggest
Regional cluster and district for fashion firms (e.g. magazine agencies)

**Government** (impacts on competition)

* Geographic distance doesn't matter due to globalisation
* However, location is extremely important (breaks down countries)
* When looking at what countries to invest in must look at social similarity

* Tactic knowledge is becoming more and more important despite globalisation
Most efficient way to learn = practical experience (tactic knowledge)
- Importance of physical proximity (see, feel, experience, practice)

**Lead Markets**

→ Lead market is the first market the diffusion process of a successful innovation first took off in a given geographical area and is sustained through

→ Not necessarily the country where the innovation was first developed or used

→ **Lead Market Advantages**
- Price advantage
- Demand transfer knowledge
- Export and transfer advantage
- Market structure advantage

* Must learn what customers want and incorporate into product
* 1st producer = time adv. for economies of scale (cost & exporting adv)
* Setting standards to the firm adv (others adopt your way of doing things)
* Similar to Porters Diamond (demand factors) = strong link between tools

**Industry Analysis (Porters 5 Forces)**

→ Market = group of individuals or organisations willing to buy G/S
→ Industry = group of org offering G/S that r similar/close subs for one another

* Performance of a company is dictated by its industry
*Therefore, competitive adv. is more important than profits*

→ **Michael Porter**
Profit potential is determined by intensity of comp rivalry
Rivalry is bad (more money is made in a non-competitive industry)

→ **Five Forces** *(competition is bad)*

**Threat of New Entrants** – LOW because of high capital investments
Economies of scale, brand identity, access to inputs
- Legal frameworks can affect the ease of market entry

**Threat of Substitutes –** Switching costs (trains/boats – domestic)

**Bargaining Power of Buyers** – HIGH as buyers have access to info online
Switching costs, product diffs, buyer volume, ability to backward integrate

**Suppliers** – LOW (high comp = low prices – Boeing, Airbus)
Rareness of inputs, Hold up costs (black mailing cost – initial investment)
Taking initial investments against company (every contract = loop hole)
E.g. when suppliers have to come with company to build new product

**Rivalry among existing competitors** (high = bad)

**Strategic Groups/Industry Segmentation**

→ Very important otherwise 5 Forces is too broad
→ Strategic groups = cluster of companies in an industry
→ Clustered around a similar competitive approach/strategic position
→ Factors include: Price/Quality, Technology, Standards

## Reading - Competitive Forces That Shape Strategy

- Five Forces can help a company to understand the structure of its industry & position itself to be more profitable & less vulnerable to attack
- The job of the strategist is to understand and cope with competition
- Understanding industry structure is essential to effective positioning

- By analysing all five forces, you can gain a complete picture of what's influencing profitability in your industry. However, underlying drivers of profitability are same across industries

→ **Buyers** = Savvy customers can force down prices by playing you and your rivals against each other. Buyers are powerful if:
- They have negotiating leverage
- The industry's products are standardised or undifferentiated
- Buyers face few switching costs in changing vendors

→ **Suppliers** = Powerful suppliers may constrain your profits if they charge higher prices. They are considered powerful if:
- They don't heavily depend on the industry for its revenues
- Industry participants face switching costs in changing suppliers
- There is no substitute for what the supplier provides

→ **New Entrants** = Aspiring entrants with new capacity and hungry for market share can increased investment required to stay in the game. '
- However buyers may trust larger companies for a crucial product
- Governments may limit entry into market

→ **Substitutes** = Substitute offerings can lure customers away. High if:
- The threat offers an attractive price-performance trade off
- The buyers cost of switching to the substitute is low

→ **Rivalry** = price wars, advertising campaigns, service improvements.
- Intensity is greatest when: Product is perishable
- Industry growth is slow & rivals have aspirations for leadership

- Position company where forces are weakest
- Exploit changes in the forces – e.g. distribution of music (Apple)

- Reshape the forces in your favour – use tactics designed to reduce share of profits leaking to other players
  - Counter customer power: Expand services so customers don't go to rival
  - Scare new entrants: Elevate fixed costs of competing by increasing R&D
  - Eliminate threats: Offer better value

* Common mistake = assuming that fast-growing industries are always attractive
* In a world of more open communication and change, it more important than ever to think strategically about competition

# Analysing Markets and Industries

**Product/Industry Life Cycle**

1. Introduction (no revenues, experience losses – large investments)
2. Growth (then profits begin to slow down)
3. Maturity (competitive turbulence)
4. Decline or extension (Life cycle extension)

→ Alternative Life Cycles
- Boom/Classic = Coca-cola
- Fad/Extended Fad
- Seasonal/Fashion – Umbrellas
- Revival/Nostalgia – Polaroid cameras

→ S – Curves (how comp is structured, innovation patterns)
Innovators, Opinion Leaders Early/Late Majority, Laggards

* Hyper competition is increasing and product life cycles are becoming shorter

→ Industry Structure and competition over LC

1. Introduction (create people to create new products – Apple)
   Innovation based on what customers want (things that stand out)
   Early adopters happy to accept products that aren't complete

2. Growth (standardization around dominant technology)
   Exports from advanced countries to the rest of the world

3. Maturity (Companies need to be good at prices/processes through manufacturing = organisational strength e.g. Samsung)
   Customers knowledgeable and price sensitive

4. Decline (exports from countries with lowest labour costs, price wars)

* Industry PLC talks about customers, investment and tech (not only sales)
* Company who is successful in intro, cant be successful in maturity
  Very different strategy structure is needed

**Strategies for Industry and Product Life Cycle**

**→ Pioneer Advantages**
- Brand loyalty and Technological leadership
- Defines the rules of the game
- Exploiting buyer (early adopter)

**→ Pioneer Disadvantages**
- R&D Expenses
- Immature technologies (may not work yet)
- Uncertainty of consumer requirements

E.g. Instant Camera (Polaroid v.s. Kodak = Leader won)
Video Game player (Atari v.s. Nintendo = Follower won)

→ Pioneers stand best chance for LT success when:
- Strong patent protection and high entry barriers
- Firm has sufficient competencies (e.g. marketing) to take adv. of position

→ Fast followers most likely succeed when:
- Few legal, technological or financial entry barriers (low barriers)
- Sufficient resources to overwhelm pioneer's early advantage

→ Late Entrant success = focus on peripheral target markets or niches

→ **Strategic Marketing Programs**
1. Mass-market penetration (when entry barriers delay competitors)
2. Niche penetration (new products more popular with innovators)
3. Skimming and early withdrawal (charge high price to maximise returns)

→ Strategies for declining markets
- Harvest (eliminate R&D expenditures and reduce budgets)
- Leadership (introduce line extensions, lower prices if needed)
- Divest Quickly (eliminate operations, maximise salvage value)
- Niche Strategy (introduce private labels, focus on advertising)

**Changing Industry Structures**
→ If firms can do it, they can make lots of money

→ **Value Net**
1. Change Players (ask people to join your team)
   Bring in customers, suppliers, complementors, competitors
   Nutra sweet = 1 supplier (no negotiation power until other competitors)
   Coca-Cola create a competitor to current supplier (threat to lower prices)

2. Change Added Value
   - Limit your supply or lower competitors value
   - Build loyalty (e.g. customer loyalty groups/offer discounts)

3. Change the rules of the game (Create standards e.g. VHS – Betamax)
   VHS got an early lead and network effects allowed it to become dominant
   Target early adopter to win as a standard – monopoly 'winner takes all'

4. Change the scope of the game (Multi-market comp – e.g. magazines)

** Five forces only tells us the outcome, must use strategies to change the nature of the industry*