Chapter 24
Strategic Marketing:
Models and Plans

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ABSTRACT

This chapter presents the tools, tactics, and strategies used by marketers to identify opportunities (or threats), evaluate alternative solutions, and solve problems. Scope and perspective of the environment are considered from the level of organizational planning and the goals of the organization. At the highest level of an organization attention is focused on the desirability and effectiveness of the various businesses that comprise the organization. Is the organization effectively allocating scarce resources across its various businesses? Should units be grown, manufactured, harvested, or divested?

Strategies and planning tools are explained from the product and market perspective. The principal growth and sustainability strategies of market penetration, market development, product development, and diversification are explained and illustrated. The meaning and importance of segmentation, targeting, and positioning are also explained.

INTRODUCTION

Strategic Planning refers to the process by which an organization develops plans to achieve a set of goals consistent with its resources and cognizant of a consistently changing environment. The theoretical ground work for modern business strategy was largely developed by Peter Drucker, Theodore Levitt and Thomas Peters. Drucker emphasized that there is only one valid definition of business purpose: to create a customer. According to Drucker, there two critical business activities are: marketing and innovation (which comes from changing needs or a better way to satisfy needs). Levitt argued that many businesses make a fundamental mistake by defining their business too narrowly (i.e., in terms of products or markets rather than consumer needs). Peters

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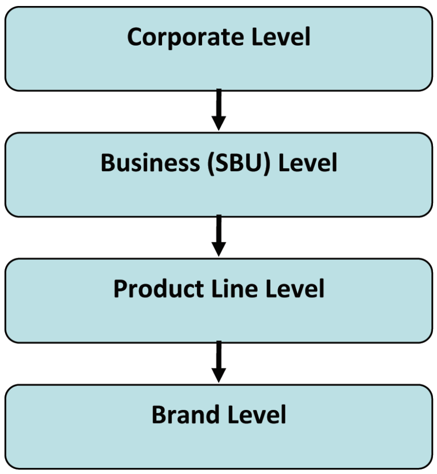
Figure 1. The planning process in corporations



through intensive case studies showed that long term success was achieved by companies that were close to their customers and their changing needs. For example, top executives at IBM spend considerable time on customer premises to better understand customer problems and needs. Strategic Management refer to the actions taken at the corporate and division (company) levels to develop long-run strategies for growth and survival (see Figure 1). A primary objective is to design the corporate structure in such a manner that it consists of enough profitable businesses to maintain the corporation's viability even if some of its businesses are not performing well.

Strategic Marketing refers to the actions taken at the product and market levels involving the marketing mix (price, product, place, and promotions) and the allocation of scarce resources to viable markets.

MISSION AND VISION

At the top level of the organization management needs to develop a mission statement that answers the question: (1) what business are we in? and (2) what businesses should we be in that are consistent with our distinctive competencies and resources? Additionally, corporate managers formulate a mission statement that addresses long term goals.

The mission statement should be expressed in terms that are external to the firm and reflect market opportunities and threats. It should include the company's major policies and focus over an extended period of time. Most importantly it should specify the three dimensional business domains: customer needs, markets, and technology.

The mission statement should provide inspiration and direction and be adopted by all the members of the organization. The mission statement is influenced by the organization's history, its environment and its distinctive competencies. The latter variable refers to what the organization does better than its competitors.

STRATEGIC BUSINESS UNITS (SBU)

Large corporations are generally composed of different businesses that require separate mission statements and planning. In the 1960's, General Electric (GE) introduced the concept of Strategic Business Units (SBU) to identify and separate for planning purposes its separate businesses. The major distinguishing characteristics of an SBU are:

1. Single business or collection of similar businesses;
2. Distinctive mission;
3. It has its own competitors;
4. It has a separate manager;
5. It can be planned independently (although it may have synergistic properties with other SBUs) of the other businesses.

THE BCG MATRIX

Bruce Henderson, founder of the Boston Consulting Group (BCG) integrated the concept of SBU with the now famous BCG growth/share matrix depicted in Figure 2.

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