Chapter 2: Strategic Planning

Students should use this Learning Worksheet to prepare for class discussion and take notes.

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chapter FORECAST

This chapter explores the importance of strategic planning in marketing. Executing a thoughtful strategic marketing plan is the most likely path to sustainable business success. The chapter examines the role of a mission statement, situation analysis, marketing strategy, global marketing strategy, and other elements of an effective marketing plan. The appendix that follows the chapter presents a complete sample marketing plan.

learning objectives

**LO 2-1** Discuss the importance of strategic planning for marketing.

**LO 2-2** Analyze the characteristics of an effective mission statement.

**LO 2-3** Outline the five main components of the marketing plan.

**LO 2-4** Explain three tools and techniques for the situation analysis: market summary, SWOT analysis, and competition analysis.

**LO 2-5** Explain the basic tools and techniques of marketing strategy: segmentation, strategic direction, and the marketing mix.

**LO 2-6** Discuss the strategic decisions involved in reaching international consumers.

**LO 2-7** Describe the use of four key marketing analytics: return on marketing investment (ROMI), revenue analysis, market share analysis, and profitability analysis.

Key terms

competitive advantage

direct ownership

diversification

exporting

financial projections

franchising

joint venture

licensing

market development

market penetration

market segmentation

market segments

market share analysis

market summary

marketing analytics

marketing plan

mission statement

opportunities (in SWOT analysis)

positioning

product development

profitability analysis

return on marketing investment (ROMI)

revenue analysis

situation analysis

strategic plan

strategic planning

strategy

strengths (in SWOT analysis)

SWOT analysis

target market

threats (in SWOT analysis)

weaknesses (in SWOT analysis)

Thought-Provoking Activity

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| Set 1: What is a mission statement? Provide an example of a mission statement in a franchise. |
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| Set 2: What is the BCG matrix? With each of the 4 sections, provide an example. |
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content outline

The following section provides the flow of information using the LEARNING OBJECTIVES as a guide, FIGURES as a visual to elaborate on key areas, KEY TERMS learners will need to take away from the course and a creates an opportunity for you to take LECTURE NOTES.

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| **EXECUTIVE PERSPECTIVE NOTES**  Dan Newhart, *Director of Sales,* Tampa Bay Rays |
| How is marketing relevant in his role?  What does he mean by saying, “…be cognizant of how to approach target markets?” |

**LO2-1: Discuss the importance of strategic planning for marketing.**

* Strategic planning is essential to meeting both professional and personal objectives. In the same way that a strategic plan will help you accomplish your goal of earning a college degree, a firm’s strategic plan helps guide it to success
* Whether you are marketing yourself or some other product, strategic planning can greatly increase the likelihood of success
* In addition to tailoring our message for each of our products (season tickets, group sales, suites and premium seating, party areas, flex plans, and single-game tickets) we also have to be cognizant of how to approach our target markets, whether through traditional avenues such as print/radio/TV or through other channels such as grassroots efforts and social media

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| **Figure 2.1 Elements of a Strategic Plan INSIGHT QUESTIONS** |
| How often should firms go through strategic planning? |
| (Answer: Firms must continually modify their strategies as conditions shift.) |
| How is the marketing mix affected by strategic planning? |
| (Answer: It helps marketers select and execute the right marketing mix strategies to maximize success.) |
| How formal should the strategic planning process be, and who should be included? |
| (Answer: open ended; it should well documented, and a representative from each department should be included in decision-making) |

**LO 2-2: Analyze the characteristics of an effective mission statement.**

* A firm should begin the process of developing a mission statement by considering the following questions:
  + What is our business?
  + Who is our customer?
  + What is our value to the customer?
  + What *should* our business be?
* The mission statement provides a standard to ensure that the business never strays too far from its core goals and values through changing times. A sound mission statement provides a basis for developing the marketing plan
* In pursuit of its mission statement to build the best products and implement environmentally friendly solutions, Patagonia partners with a Long Beach company, Upcycle It Now, to deconstruct old rain coats and fleece jackets and use them to create dog attire
* The mission statement for Patagonia: Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis

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| **THINK LIKE A MARKETER**  Find an example of a “bad” mission statement. What makes it “bad”? How could it be better? |
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| **THINK LIKE A MARKETER**  What do you think of a company not having a mission statement? |
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**LO2-3: Outline the five main components of the marketing plan.**

* The marketing plan is an action-oriented document or playbook that guides the firm’s marketing strategy
* Creating a marketing plan requires the input, guidance, and review of employees throughout the various departments of a firm, not just the marketing department
* The specific format of the marketing plan differs from organization to organization
* Most plans include five components: an executive summary, situation analysis, marketing strategy, financials section, and controls section
* The executive summary is a one-to-two page synopsis of the marketing plan’s main points
* The situation analysis helps identify market trends, conditions, and competitive forces
* The marketing strategy component lists the actions the firm must take to accomplish the marketing objectives it established in its mission statement and strategic planning
* The financials section provides those reading the plan with a bottom-line numerical estimate of the organization’s profitability
* A *sales forecast* projects how many units of a product the company expects to sell during a specific time period
* The *expense forecast* is an estimate of the costs the company will incur to create, communicate, and deliver the product
* *Break-even analysis* combines the data from the sales and expense forecasts
* Controls monitor performance and adjust the plan over time. Control provides a link between the organization and its environment
* The *implementation* section provides a detailed account of *how* the specific actions of the marketing plan will be carried out and *who* will be responsible for doing so
* An outline of the organizational structure assigns specific responsibility for the parts of the marketing plan
* Contingency planning defines the actions the company will take if the initial marketing strategy falls short of expected results

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| **THINK LIKE A MARKETER**  What’s your elevator pitch? (Recall your work from Chapter 1’s Personal Marketing Plan exercise.) |
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| **Figure 2.2 *Key Components of the Marketing Plan* INSIGHT QUESTIONS** |
| Who is involved in developing the marketing plan |
| (Answer: Most departments in a firm, not just the marketing department.) |
| What types of objectives should be considered in the marketing strategy? |
| (Answer: specific, measurable and realistic objectives) |
| Should a marketing plan have a short term or long term vision? |
| (Answer: Both, and it should tie into the organization’s mission for long term sustainability.) |

**LO2-4: Explain three tools and techniques for the situation analysis: market summary, SWOT analysis, and competition analysis.**

* A situation analysis is the systematic collection of data to identify the trends, conditions, and competitive forces that have the potential to influence the performance of the firm and the choice of appropriate strategies
* The situation analysis comprises three subsections: market summary, SWOT analysis, and competition
* The market summary sets the stage for the situation analysis section by focusing on the market to which the firm will sell its products. A market is the group of consumers or organizations that is interested in and able to buy a particular product
* The market summary would also consider the growth opportunities internationally and potential sales through international expansion
* One of the most popular analysis tools to describe the current market is The Boston Consulting Group (BCG) matrix

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| **Figure 2.3 *The Boston Consulting Group Matrix* INSIGHT QUESTIONS** |
| What does the BCG Matrix determine? |
| (Answer: where its product will fall in the marketplace and serve as a starting point for developing marketing strategies to address that market position) |
| What quadrant would represent the Apple iPad? |
| (Answer: cash cow) |
| What quadrant would represent a new iPhone application? |
| (Answer: question mark) |

* The evaluation of a firm’s strengths, weaknesses, opportunities, and threats is called a SWOT analysis
* The strengths and the weaknesses aspects of the analysis focus on internal characteristics
* Strengths are internal capabilities that help the company achieve its objectives
* Weaknesses are internal limitations that may prevent or disrupt the firm’s ability to meet its stated objectives
* The opportunities and threats aspects of the SWOT analysis focus on the external environment
* Opportunities are external factors that the firm may be able to capitalize on to meet or exceed its stated objectives
* Threats are current and potential external factors that may challenge the firm’s short- and long-term performance
* Companies like McDonald’s often complete a SWOT analysis to identify and evaluate their strengths, weaknesses, opportunities, and threats
* SWOT analysis lets managers look for ideas and strategies that might produce a competitive advantage. For example, the firm can ask questions like . . .
  + *How can the firm use its strengths to take advantage of opportunities?*
  + *How can the firm overcome weaknesses that keep it from taking advantage of opportunities?*
  + *How can the firm use its strengths to reduce the impact of threats?*
  + *How can the firm overcome weaknesses that will make threats a reality?*

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| **Table 2.1 *Example SWOT Analysis for McDonald’s* INSIGHT QUESTIONS** |
| Which elements of a SWOT analysis are internal considerations? |
| (Answer: strengths and weaknesses) |
| Which elements of a SWOT analysis are external considerations? |
| (Answer: opportunities and threats) |
| What key words or action oriented words do you see in the example? |
| (Answer: effective, rigorous, flexible, promotes, positive, contributes) |
| What qualitative and quantitative measures exist in the example SWOT analysis? |
| (Answer: open ended; brand awareness, number of international locations and sales numbers in international markets, operating and production costs, employee satisfaction and turnover rates, perception of the brand and its products) |

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| **CONNECT BACK: Reference Connect Assignment 2-1** |
| In a real SWOT analysis, what resources will you use to compose your SWOT analysis? |
| (Answer: open ended; friends and family members, professors, and current/past employers) |
| For measurement and analysis, figure out which elements are quantitative, and which ones are qualitative. |
| (Answer: open-ended; Figuring out how each element of the SWOT analysis is measured is just as important as the content itself.) |
| When should a SWOT analysis be conducted? Think in terms of frequency, product development and strategic planning. |
| (Answer: open ended; no less than once a year) |

* While most marketing plans examine direct competitors thoroughly, indirect competitors typically receive far less attention or are overlooked entirely
* Indirect competitors can take market share away from a firm as macro trends or consumer preferences change
* When completing a situation analysis, it’s just as important for a firm like McDonald’s to analyze indirect competitors, such as Panera Bread, as it is to analyze direct competitors, such as Burger King
* The competition analysis section should begin by clearly stating the organization’s *direct competitors*. Most marketing plans are able to identify and examine direct competitors. *Indirect competitors*, though, typically receive far less attention, or are overlooked entirely

**LO2-5: Explain the basic tools and techniques of marketing strategy: segmentation, strategic direction, and the marketing mix.**

* A strategy is the set of actions taken to accomplish organizational objectives
* The marketing strategy component of the marketing plan lists the actions the firm must take to accomplish the marketing objectives it established in its mission statement and strategic planning process. The effectiveness of the marketing strategy depends in part on the clarity of the short- and medium-term objectives the firm has defined
* Quality marketing objectives have three basic characteristics:
  + Specific
  + Measurable
  + Realistic
* Developing specific, measurable, and realistic marketing objectives provides a good basis for companies as they seek to identify a target market and correctly position their product for that market
* A target market is the group of customers toward which an organization has decided to direct its marketing efforts
* Small firms may have only one target market; large organizations might enter multiple target markets
* Regardless of size, firms tend to enter multiple markets by first serving one group and then expanding based on success with that group
* Success within the target market depends, to some degree, on how the firm positions its product
* Positioning refers to the activities a firm undertakes to create a certain perception of its product in the eyes of the target market
* To position its product, firms must take into consideration issues such as the competition, the needs and wants of the target market, and the element of mystique or drama that the good or service naturally has
* A company’s marketing strategy can follow various paths based on the product and industry, but most seek to move the product in one of four directions
* Market penetration strategies emphasize selling more of existing goods and services to existing customers
* Product development strategies involve creating new goods and services for existing markets
* Market development strategies focus on selling existing goods and services to new customers
* Diversification strategies seek to attract new customers by offering new products that are unrelated to the existing products produced by the organization

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| **Figure 2.4 *The Four Basic Categories of Market Growth Strategies* INSIGHT QUESTIONS** |
| Which strategy involves encouraging current customers to buy more each time they patronize a store or to buy from the store on a more frequent basis? |
| (Answer: market penetration) |
| Which strategy did Dr Pepper Ten use in their campaign launch of, “It’s not for women?” |
| (Answer: product development) |
| Which strategy focuses on selling existing goods and services to new customers? |
| (Answer: market development) |
| List three examples of companies that have used the diversification strategy. |
| (Answer: Disney; open ended) |

* International expansion is an increasingly necessary part of a successful market development strategy for both small firms as well as large retailers like Walmart
* In 2018, Walmart International operated in 27 countries, including China, India, Brazil, and Mexico, where it had over 5,900 international stores

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| **CONNECT BACK: Reference Connect Assignment 2-2** |
| Which strategies can be used to enter into international markets? |
| (Answer: open-ended; all have an effect) |
| List two examples of organizations that have implemented each one of the four strategies. Which strategy is easiest to identify? |
| (Answer: open ended; for example, apply to Apple and Starbucks) |

* The final aspect of the marketing strategy section of the marketing plan focuses on determining how each element of the marketing mix will support the chosen strategy
* The product section of the marketing plan comprises a detailed description of the product being offered, not only the good or service itself, but also any related services like warranties and guarantees that accompany the good or service
* A product possesses a competitive advantage when it enjoys a superior position over competing products because consumers believe it has more value than other products in its category
* The promotion section details how the organization will communicate the value of its product
* This section builds on the strengths of the product section and references the specific promotional tools—advertising, sales promotion, personal selling, or public relations—the organization will use to reach its target market
* Distribution strategies fall within the *place* marketing mix element
* The distribution section of the marketing plan describes how the firm will deliver value to its customers
* The pricing section of the marketing plans specifies how much money customers must pay for the product and describe why that price was selected
* McDonald's made the strategic decision in 2015 to shift toward using only cage-free eggs. The company faces a distribution challenge because fewer than 10 percent of the nation’s laying hens were categorized as “cage-free” at the time of the announcement. It could take McDonald’s up to a decade to reach its goal of having 100 percent cage-free eggs in its products

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| **CONNECT BACK: Reference Connect Assignment 2-3** |
| Should social media strategies always be included in a company’s marketing plan since it is a popular medium? |
| (Answer: not necessarily, and only if the demographics of the platform align) |
| How would you determine the social media platform a company should use (i.e. Facebook, Twitter, LinkedIn, YouTube, Snapchat, Pinterest, etc.)? Should all of them be used? |
| (Answer: open ended; check out the competitors and what platforms they are on; start with one platform and slowly add on others that are aligned socioculturally) |

**LO2-6: Discuss the strategic decisions involved in reaching international consumers.**

* The new reality of globalization means a firm’s strategic planning process must include a discussion about what, if any, international presence the firm wants to pursue
* One of the most critical strategic decisions involves how to enter foreign markets
* The firm must choose from among the five major strategic options for entering the international marketplace: exporting, licensing, franchising, joint venture, or direct ownership
* Each offers a unique mix of risk and reward
* Typically, the least risky option for entering international markets is exporting
* Exporting is selling domestically produced products to foreign markets
* Increasingly, firms of all sizes export their products to other countries
* Licensing offers marketers the advantages of expanding the reach of their products quickly in a low cost way
* Licensing is a legal process in which one firm pays to use or distribute another firm’s resources, including products, trademarks, patents, intellectual property, or other proprietary knowledge
* The use of licensing to enter international markets has increased significantly in recent years due to several factors, including more regulation, rising research and development (R&D) costs, and shortened product life cycles
* Franchising is a contractual arrangement in which the franchisor provides a franchisee (local owner operator) the right to use its name and marketing and operational support in exchange for a fee and, typically, a share of the profits
* A riskier option than exporting, licensing, or franchising is a joint venture
* In a joint venture, a domestic firm partners with a foreign company to create a new entity, thus allowing the domestic firm to enter the foreign company’s market
* Joint ventures also can result in mistrust over proprietary knowledge, conflict over new investments, and disagreements about how to share revenue and profits
* The riskiest method of entering an international market is direct ownership, which requires a domestic firm to actively manage a foreign company or overseas facilities
* Direct ownership is a good strategic option when the firm sees substantial sales potential in the international market, very little political risk, and similarities between the foreign and domestic cultures
* Marketers should diligently and thoroughly analyze the risks and rewards of each type of foreign entry as they develop their marketing plan

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| **THINK LIKE A MARKETER**  How do firms enter foreign markets? |
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| **Figure 2.5 *International Market Entry Strategies* INSIGHT QUESTIONS** |
| What is the least risky option for entering international markets? |
| (Answer: exporting) |
| Which strategy offers marketers the advantages of expanding the reach of their products quickly in a low cost way? |
| (Answer: licensing) |
| Which strategy is an attractive method of entering foreign markets because its licensees assume the majority of the capital costs and human resource issues? |
| (Answer: franchising) |
| Which strategy works best when the partners’ strategic goals align, their competitive goals diverge, and they are able to learn from one another without infringing on each other’s proprietary skills? |
| (Answer: joint venture) |
| What is the riskiest method of entering an international market? |
| (Answer: direct ownership) |

* Burger King allows franchisees to offer specific products in Japan, such as the "Aka Samurai Chicken" and the "Aka Samurai Beef," to better satisfy local customer tastes
* Franchisors typically allow companies to offer new products for consumers in specific international markets, adding further product appeal. For example, in Japan, Burger King offers the “Aka Samurai Chicken" sandwich and the "Aka Samurai Beef" burger, complete with red buns, red cheese, and red hot sauce

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| **CONNECT BACK: Reference Connect Assignment 2-4** |
| What key factors determine the market strategy? |
| (Answer: open ended; risk level desired, opportunity and resource availability; consumer research can also dictate the strategy chosen) |
| Do the same risks exist for small companies and large companies? |
| (Answer: open ended; no, smaller companies may incur larger risk because resources are limited) |
| How do rewards differ for small and large companies? |
| (Answer: open ended; larger companies may have more resources and expertise available) |

**LO2-7: Describe the use of four key marketing analytics: return on marketing investment (ROMI), revenue analysis, market share analysis, and profitability analysis.**

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| **Marketing Insights Podcast INSUGHT QUESTIONS** |
| How is big data used in marketing today? |
| (Answer: open-ended; demographics of an ideal market segment, and the ability to then target them; budget information and how/where to best spend money) |
| What do online surveys do for marketers? |
| (Answer: open-ended; generate more of and less expensive information that marketers can operationalize in real time) |

* The goal of marketing analytics is to maximize marketing effectiveness and optimize return on investment
* ROMI = Sales x Gross margin % minus Marketing expenditures divided by Marketing expenditures
* Firms that look only at ROMI may fall into the common trap of thinking all is well. In fact, one successful product line may have masked failures in other parts of the company. For a fuller picture, it is useful to quantify the various sources of revenue
* The goal of revenue analysis is to pinpoint what is working and what is not, relative to the objectives of the organization

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| **THINK LIKE A MARKETER**  What types of marketing data should firms analyze? (Hint: Think of the marketing mix.) |
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| **Figure 2.6 *Auto Manufacturer Market Share in the U.S., 2009 and 2015*****INSIGHT QUESTIONS** |
| What does market share measure? |
| (Answer: the firm’s sales as a *percentage* of total market sales) |
| What does it not measure? |
| (Answer: the size of market sales) |
| What impacts market share? |
| (Answer: open ended; technology, ability to innovate, consumer interest) |

* Market share measures the firm’s sales as a percentage of total market sales. It does not indicate the size of the market sales
* Marketers often use two important metrics to evaluate profitability: customer acquisition and customer profitability
* *Customer acquisition*measures how much the firm spent to gain new customers
* Marketers also measure *individual customer profitability,*which is the profit a firm makes from a customer over a specified period of time

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| **TODAY’S PROFESSIONAL NOTES**  Erica Sluder, *Marketing Manager,* Flower Shop Network |
| In your job, what can you do to “soak up every opportunity”, as Erica suggests?  What are the implications of a misspelling on a resume? |

marketing plan exercise

**Your Marketing Plan**. In this chapter we discussed the elements and importance of the situation analysis. The next step in developing a full marketing plan for yourself is to conduct a SWOT analysis on yourself. It should tie back to the objectives you developed at the end of Chapter 1. Be sure to think through each element and honestly assess where you are today. This will help you focus on what you need to accomplish over the rest of your college career. This activity is located at the end of the Learning Worksheet.

* **Strengths.** Most people have some notion of their strengths–maybe you’re an effective public speaker, pay a great deal of attention to detail, or work well with others, for example. It's likely that you've had those strengths reinforced by those around you over the course of your life.
  + To effectively complete the strengths part of your personal SWOT analysis, list three to five strengths that you possess that will most affect your ability to achieve the objectives you identified in Chapter 1.
* **Weaknesses.** Most people are very honest about their strengths but are typically far less likely to be aware of, or to acknowledge, their weaknesses. Corporate recruiters often tell humorous stories about the responses they receive when asking new college graduates about their biggest weaknesses. Answers range from “I care too much,” or “I am too smart for my group members,” to “I am too attractive to have many friends.” (Any of these responses might produce a negative impression in a job interview, by the way.)
  + Give serious consideration to your personal weaknesses, and then list three to five weaknesses that will affect your ability to achieve your objectives. By properly identifying your weaknesses, you can begin to plan strategically how to overcome them or, at the very least, minimize their influence on your career objectives.
* **Opportunities.** As the global economy changes, you will enter a job market very different from the one faced by previous generations. It is important to honestly assess your opportunities. Ask yourself questions like, What jobs in my major are most in demand? What internship openings are there, and how might those put me in a better position to find my dream job? If your goal is to attend graduate school, what kinds of scholarships, assistantships, or enrollment opportunities are out there for you?
  + For this part of the SWOT analysis, identify three to five external opportunities that could potentially benefit you in your professional development.
* **Threats.** Assessing threats is an essential part of developing a strategic plan for your professional future. If the economy goes into a recession at the same time you graduate, for example, your earnings growth could be reduced for years to come. By examining what potential threats could affect your professional development and creating contingency plans, you will be in a better position to succeed in your pursuit of a job.
  + Describe three to five threats that could affect your ability to achieve your objectives.

**Your Task:** You've now listed three to five strengths, weaknesses, opportunities, and threats that could affect your professional development. For each weakness and threat you identify, include a brief one- to two-sentence description of how you might overcome the challenge associated with it.

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| **Chapter 2** | **SITUATION ANALYSIS**  SWOT Analysis  *Strengths*    *Weaknesses*  *Opportunities*  *Threats* |