CHAPTER 2
Strategic Planning for Competitive Advantage
Learning Outcomes

LO 1 Understand the importance of strategic marketing and know a basic outline for a marketing plan

LO 2 Develop an appropriate business mission statement

LO 3 Describe the components of a situation analysis

LO 4 Describe the criteria for stating good marketing objectives

LO 5 Identify sources of competitive advantage
Everything in marketing begins with a plan.... and strategic decisions

- Sears purchase of Lands’ End
- Reebok’s decision to stop competing with Nike in the hard-core sports market and instead focus on being the top shoe brand for fashion-forward consumers
- McDonald’s decision to offer more healthy foods
- S.C. Johnson’s introduction of Shout Color Catchers
- Adidas decided to use Kendell Jenner as the new face of Adidas
- Airbnb’s decision to offer “experiences” (tours and events) in addition to stay
Strategic Planning

The managerial process of creating and maintaining a fit between the organization’s objectives and resources and evolving market opportunities.

The goal is long-term profitability and growth and require long term commitments and resources.
The Market in constantly changing....

- Consumers needs
- Attitudes
- Technology
- Demographics
- Social
- Economic
- Environmental
- Legal
Strategic Marketing...

The way a firm effectively differentiates itself from its competitors by capitalizing on its strengths and opportunities to provide consistently better value to customers than its competitors.
Strategic Marketing Management addresses two questions...

1. What is the organization’s main activity?

2. How will it reach its goals?
Barbie

- Strategically decided to target dads who are now taking a more active role in raising their daughters
  - *Aired during NFL*
  - *Campaign look at six real dads and their daughters (unscripted)*
  - Reinforced the “*helping girls imagine all their possibilities*” mission statement
Haagen-Dazs

■ To strategically take advantage of trends toward natural and whole foods
  - Launch an ice cream composed of just five natural ingredient.
  - Involves: new product, package design, target market, promotion, same distribution (?)
Tag Heuer Cellphones

■ Owns high end sports watch category.
■ Trending toward flat sales
■ **Diversify** into cell phone category
  ■ With a new $6,700 crocodile case
Airbnb Experience
Strategic Business Units

- Large companies may manage a number of very different businesses

- Each SBU has its own:
  - Distinct mission and target market
  - Control over its resources
  - Its own competitors
  - A single business or collection of related businesses
  - Independent plans

Disney SBUs

- Theme Parks
- Movie Studios
- TV Networks
- Cruise lines
Ansoff’s Product/Service Growth Matrix

- The **Ansoff Matrix** is a strategic planning tool that provides a framework to help executives, senior managers, and marketers devise strategies for future growth.
  - Named after Russian American Igor **Ansoff**, who came up with the concept.
- Suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets.
- The output from the Ansoff product/market matrix is a series of suggested growth strategies which set the direction for the business strategy.
<table>
<thead>
<tr>
<th>Ansoff’s Opportunity Matrix</th>
<th>provides four different growth strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Penetration</strong></td>
<td>Increase market share among existing customers (existing product/existing market)</td>
</tr>
<tr>
<td><strong>Market Development</strong></td>
<td>Attract new customers to existing products (existing product/existing market)</td>
</tr>
<tr>
<td><strong>Product Development</strong></td>
<td>Create new products for present markets (new products/existing markets)</td>
</tr>
<tr>
<td><strong>Diversification</strong></td>
<td>Introduce new products into new markets (new products/new markets)</td>
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</table>
# Starbucks

<table>
<thead>
<tr>
<th>Present Market</th>
<th>New Market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Present Product</strong></td>
<td><strong>New Product</strong></td>
</tr>
<tr>
<td>Market Penetration</td>
<td>Starbucks develops powdered instant coffee - Via.</td>
</tr>
<tr>
<td>Starbucks sells more coffee to customers who register their reloadable Starbucks cards. Free refill after 2:00 pm</td>
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<thead>
<tr>
<th>New Market</th>
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<tr>
<td><strong>Market Development</strong></td>
</tr>
<tr>
<td>Starbucks opens stores in Brazil and Chile.</td>
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<table>
<thead>
<tr>
<th>Diversification</th>
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<tbody>
<tr>
<td>Starbucks launches Hear Music and buys Ethos Water.</td>
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</tbody>
</table>
What type of strategy is this?
COCA COLA

Developing new products for existing markets
IOTA SELLING FLAVORED SUNFLOWER SEED IN SUPERMARKETS
Marketing Plan

A written document that acts as a guidebook of marketing activities for the marketing manager.

- Marketing planning involves the design of activities related to marketing objectives and the changing marketing environment
A complete marketing plan can allow an organization to achieve marketing objectives...

HOWEVER

the marketing plan is only as good as the information, effort, creativity and thought put into it.
Marketing Plans Provide...

- Clearly stated activities that help employees and managers understand and work toward a common goal.
- Allows you to examine the marketing environment in conjunction with the inner workings of the business.
- Once written, serves as a reference point for the success of future activities.
- Allows marketing manager to enter into the marketplace with awareness.
Marketing Plan Elements

ccsfmarketing.com
Market Plan (tab)
Ideas for a Marketing Plan

- Food Trucks
- Restaurants
- Brewery
- Organic Café
- Wireless door locks
- Branded fashion rental store
- Diabetic chocolate
- Organic Cotton Baby Clothes Line
- Bluetooth pet collar
- Bulletproof backpack
- Juice store
- Car service
- Home delivery milk service
- Image consultant
- Photographer
- Hair/Make-up artist
- Jewelry designer
- Surf shop
- Child day care
- Mobile hair/hair salon
- Doggie day care
- Alarm ring
- Sushi restaurant
- Corner market
- Paint/construction services
- Stylist
- Music
- App
- Online retail store
- Web designer
- Tee Shirt
- Flower shop
- Accounting/tax/finance
Introduction of Product/Service

1. Clearly define your product/service in the first sentence.
2. Evaluating the situation and trends in a particular company's market. (include a bit of research)
3. Identifying an opportunity for an unserved market
4. Describe how the company was conceived. Why you are qualified?
5. Product/service specifics (location, product lines, items, online/retail)

*Marketing plans are always written in 3rd person.*
Morningstar Bakery – Introduction

Morningstar Bakery is a new bakery specializing in gluten-free baked breads and pastries. Within the last five years there has been a 20% increase in consumer demand for fresh gluten-free bakery products. This can be explained to a large degree by the fact that up until recently Americans have had food allergies that have been undiagnosed. It has been only in the last few years that medical doctors have begun to diagnosis celiac food allergies correctly. What was once an unknown problem that affected so many people with no recourse has become a manageable ailment that is easily dealt with through modification of diets. This is very positive for both those people that are affected as well as bakeries such as Morningstar that specialize in these products. There are no bakeries in the San Francisco area that carry gluten free fresh baked goods. Grocery stores are carrying packaged pastries and breads, however, they were often hard, gritty, and do not have that fresh baked flavor, smell, or softness.

Morningstar Bakery was conceived when the owner, Marilyn, had two son's were diagnosed with celiac disease at age 14 and 7. She immediately had to make her home gluten free and find baked goods and pastries her boys could eat. Celiac disease is a digestive disease that damages the small intestine and interferes with absorption of nutrients from food. People who have celiac disease cannot tolerate gluten, a protein in wheat, rye, and barley. Gluten is found mainly in foods but may also be found in everyday products such as medicines, vitamins, and lip balms. When people with celiac disease eat foods or use products containing gluten, their immune system responds by not allowing nutrients from food to be absorbed through the walls of the small intestine into the bloodstream.

Morningstar will be located in Noe Valley, San Francisco and will cater to consumers who are on a gluten-free diet as well as those who are choosing to eat more wheat-free baked goods. Morningstar Bakery will imbed itself and become part of the Noe Valley community. Outreach programs to both Alvarado Elementary and James Lick Middle School will give Morningstar Bakery a societal marketing orientation. The following marketing plan will written promoting of Morningstar Bakery to the San Francisco area.
Fred’s Taxi Cab

• Fred’s is a new service for people who get drunk. When you are at a club, and you are drunk, Fred will come get you and take you to your car. Then Fred can go pick up your friends and take them to a club or to wherever they want to go. You will always have your keys, so you can get to your home with Fred. You don’t need to worry because Fred is always there with you. Even when you want to drive, Fred can arrange that too. The cops like Fred’s taxi because they can follow you without worrying about your car. I love Fred’s – it’s number one.
Fred’s Taxi Cab (revised)

Fred’s Taxi Cab is a car service for underage drinkers who frequent bars and clubs and do not feel they are capable to drive home. Market trends show that more and more underage drinkers have fake ID’s and are frequenting clubs. In a downturn economy, night clubs are turning a blind eye toward the obviously fake ID’s and letting underage consumers in. The number of DUI accidents has doubled in the past five years for people between the age of 18 – 21. Fred’s Taxi service is targeted at underage drinkers who are driving to clubs, drinking, and understanding the detriments of driving home. Simply text, HELPFRED, on your phone, and Fred’s Taxi will locate your location (based on your phone), and text back with an estimated time of arrival. Underage drinkers just get in the taxi, and Fred will drive you home. They will come the next morning to take you to your car. Fred’s was started when Fred Smith, a cab driver for 20 years noticed that... Fred’s will have an 800 number as well as an app....
Mission Statement

- Statement of the firm’s business based on a careful analysis of benefits sought by present and potential customers and an analysis of existing and anticipated environmental conditions.

A written declaration of an organization’s core purpose and focus that normally remains unchanged over time.
To bring inspiration and innovation to every athlete* in the world

* If you have a body, you are an athlete."
Mission Statement

- A written declaration of an organization's **core purpose** and focus that normally remains unchanged over time.
- Used by an organization to explain its purpose for being.
- Focus on the **consumer**, not on the products/services being offered.

**Answers the question, “What business are we in?”**

- Marketing Myopia: Defining a business in terms of goods and services rather than in terms of the benefits customers seek.
Tesla

Tesla’s mission is to accelerate the world’s transition to sustainable transport.
Mission Statements

■ Google:
  – Google’s mission is to organize the world’s information and make it universally accessible and useful

■ Skype:
  – Skype’s mission is to be the fabric of real-time communication on the web

■ Twitter:
  – “To instantly connect people everywhere to what’s most important to them.”
Coca Cola

■ "To refresh the world; to inspire moments of optimism and happiness; to create value and make a difference."
CVS

- We will be the easiest pharmacy retailer for customers to use.
Amazon

"Our vision is to be earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online."
Amazon, Kindle

"Every book ever printed, in any language, all available in less than 60 seconds."
HAMAMA

Creating a world where anyone can grow and eat fresh food as a part of a healthy lifestyle routine.
Mission Statements

Facebook
- Facebook's mission is to give people the power to share and make the world more open and connected.

Airbnb
- Belong Anywhere.

Under Armour
- To make all athletes better through passion, design and the relentless pursuit of innovation.

LEGO
"Inspire and develop the builders of tomorrow."
Morningstar Bakery:

- To nourish and delight everyone we serve by providing the community with healthy, organic, gluten free goods at affordable prices.
Fred’s Taxi

- Getting you home safely, so you can get on with your future.
I have an Idea!!!
Popular Car
Concert Parking lot
Identified a Problem
CarDentifier Mission Statements

- Stress free parking, every time, every lot.
- Empowering your parking experience when you choose, where you choose.
- To make finding your car easy, stress free, and fun.
Marketers must understand the current and potential environment in which the product or service will be marketed.
SWOT Analysis

Helps firms identify their competitive advantage

- **S** (Strengths): Things the company does well.
- **W** (Weaknesses): Things the company does not do well.
- **O** (Opportunities): Conditions in the external environment that favor strengths.
- **T** (Threats): Conditions in the external environment that do not relate to existing strengths or favor areas of current weakness.

Internal

External
Focus on organizational resources:

- Production costs
- Marketing skills
- Financial resources
- Company or brand image
- Employee capabilities
- Technology
When examining external opportunities & threats

Environmental Scanning

Careful monitoring of an organization's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plans.
An environmental scan of today’s marketplace

**ENVIRONMENTAL FORCE**

- **Social**
  - Declining differences in gender roles and buying patterns
  - Growing diversity of the U.S. population
  - Decline in smoking and tobacco use throughout the world

- **Economic**
  - Increasing military and humanitarian expenditures related to the war on terrorism
  - The shift of white-collar work to offshore locations
  - Increase in savings and money management as many workers approach retirement

- **Technological**
  - Increasing use of wireless broadband technology
  - The dramatic growth of the open source (free) software movement, started by Linux
  - Advances in biotechnology, cosmetic surgery, and cancer drugs

- **Competitive**
  - The growing influence of China as the world leader in technology manufacturing
  - The development of corporate competitive intelligence departments and relationships with federal security agencies
  - Increased focus on empowering workers to improve performance

- **Regulatory**
  - New legislation related to digital copyright and intellectual property protection
  - Greater concern for privacy and personal information collection
  - New legislation on Internet taxation, e-mail spam, and domain names

**ENVIRONMENTAL SCANNING**
## SWOT Analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internationally known, strong, valuable brands</td>
<td>Dependent on relationship with suppliers</td>
</tr>
<tr>
<td>Efficiency and effectiveness in supply chain</td>
<td>Health effects of consuming Starbucks products</td>
</tr>
<tr>
<td>High quality of products and service</td>
<td>Natural disasters may largely affect supply</td>
</tr>
<tr>
<td>Starbucks Experience</td>
<td>Dependent on US operating segment (75% of total revenues in 2010)</td>
</tr>
<tr>
<td>High accessibility (Starbucks at every corner)</td>
<td>Future growth is increasingly dependent on International operating segment (might not work due to taste differences)</td>
</tr>
<tr>
<td>Strong relationship with suppliers, i.e. low risk of non-delivery</td>
<td>Regional or global health pandemic could affect business</td>
</tr>
<tr>
<td>Starbucks Global Responsibility strategy</td>
<td></td>
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<th>Opportunities</th>
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<tr>
<td>Leverage Starbucks brand even more outside the company-operated store base</td>
<td>Supply and price of coffee is subject to significant volatility</td>
</tr>
<tr>
<td>Product innovation and new growth platforms</td>
<td>Large number of competitors in specialty coffee beverage business can lead to low profitability</td>
</tr>
<tr>
<td>Expand international operating segment</td>
<td>Economic conditions in US and certain international markets might decrease customer spending</td>
</tr>
<tr>
<td>Expand in Chinese market (believed to become largest market after North America) and Brazilian market</td>
<td></td>
</tr>
<tr>
<td>Global Consumers Product Group (e.g. Starbucks VIA and Seattle’s Best Coffee)</td>
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</tr>
</tbody>
</table>
Strengths

- Experienced Gluten Dietician
- Baker graduate from CCSF Culinary School
- Great location in Noe Valley (a lot of foot traffic)
- Equipment not shared with other foods
- Only gluten-free bakery in Bay Area
- Experienced Marketer on staff
- Priced competitively
- Societal orientation

Weaknesses

- Little experience running a bakery
- Expense to clean equipment nightly of contaminants
- Gluten products don’t stay fresh as long as wheat-based pastries
- Staff young and at times unpredictable
- Customer confusion about wheat free and gluten-free products
- Lease is expensive

Opportunities

- Awareness of celiac disease is growing
  - 1 in 10 people have it
- Movement toward healthier lifestyle
- Baking with rice flour tastes (almost) as good at wheat flour
- Baked goods are not seasonal
- Partnership with celebrity who has celiac
- Educate the non-celiac market on the benefits of gluten-free eating
- Noe Valley family/community oriented
  - Support of local businesses

Threats

- Recession
- Bakeries in Noe Valley may begin carry GF baked goods
- Development of a GF pill
- Local activists criticize for detergents used to clean equipment
- Noe Valley has many social causes, may get lost or perceived as forced
- Packaged good GF baked goods getting better (taste)
- Starbucks begins offering GF pastries
Competitive Advantage

The set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.
A competitive advantage is what distinguishes you from the competition in the minds of your customers.
Nike

- Brand Name
- Product Quality (men, women, children)
- Price Premium
- Innovation
A firm’s competitive advantage is the reason or reasons that cause customers to patronize that firm and not the competition.
Cost Competitive Advantage

• A company is able to utilize its skilled workforce, and inexpensive raw materials, controlled costs, and efficient operations to create maximum value to consumers
  • Walmart
  • Kmart
  • Target
  • Holiday Inn Express
  • McDonald’s Dollar Value Meal
  • Jet Blue
  • Dollar Car Rental
Cost Competitive Advantage Companies

Lowest-cost producer in the industry.

- Walmart
- Kmart
- Target
- Holiday Inn Express
- McDonald’s Dollar Value Meal
- Jet Blue
- Dollar Car Rental
Sources of Cost Reduction

- Experience Curves
- Efficient Labor
- No-frills Products
- Government Subsidies
- Product Design
- Reengineering
- Production Innovations
- New Service Delivery Methods
A firm provides something that is unique and valuable to buyers beyond simply offering a lower price than that of the competition.
Product/Service Differentiation

- Honda – Product Reliability
- Harley-Davidson – American Image
- Rolex – Valuable Brand Name
- Mercedes-Benz & Nordstroms – Excellent Service
Examples of Product/Service competitive advantages

- Brand Status
- Product reliability
- Image
- Service
- Innovation
- Uniqueness
- Materials patented (intellectual property)
- Celebrity/Partners

- Patent
- Corporate Reputation
- Speed to market
- Flexibility
- Strong R&D
- Access to talent/employees
Apple’s Competitive Advantage
Niche Competitive Advantage

The advantage achieved when a firm seeks to target and effectively serve a single segment of the market.
Niche Competitive Advantage

■ Seeks to target and reach a single segment of the market
■ This type of strategy works very effectively for smaller and new companies that do not have the resources to go after large sections of the marketplace
■ Facebook started out small with a niche strategy targeting college students
Welcome To Farm Fresh To You

As people are becoming increasingly interested in where their food comes from and how it was grown, Community Supported Agriculture (CSA) is becoming a popular alternative for getting high-quality food from a trusted local farm. Farm Fresh To You, by enrolling in our CSA, families are connecting directly to our farm. Grow your Organic, and are receiving regular deliveries of fresh, mouth-watering, organic produce delivered directly to their home or office. See below for today's new offerings.

**Mixed Fruit and Veggie**

- **Small Box** $15.00
- **Regular Box** $21.50
- **Large Box** $29.00
- **Watermelon** $5.00
- **Twin Melon Box** $25.00
- **Three Melon Box** $44.00

**No Cooking**

- **StirFry Cooking** $25.00
- **No Cooking** $13.50
- **SlowCooking** $16.00

**Veggie Only**

- **Visually: $13.50**
- **Visually: $19.00**

**Fruit Only, Home or Office**

- **Visually: $13.50**
- **Visually: $19.00**
Niche Competitive Advantage

- Used by small companies with limited resources facing giant competitors
- Serve a limited geographic market
- Product line may be focused on a specific product category (DC Cupcakes)
A Company must keep their competitive advantage

- Main challenge facing companies
- Can’t be easily copied
- Companies must constantly be aware of external threats from their competition that will try to copy their advantage or improve on it and take their customers.
Sources of Sustainable Competitive Advantage

Skills and Assets of an Organization

- Patents
- Copyrights
- Locations
- Equipment
- Technology
- Customer Service
- Promotion
- Location
Morningstar’s Competitive Advantage

Product/Service

- Skill Advantage – Top GF pastry chef
- Strategic Partnerships (biggest organic rice flour producer in Bay Area)
- Product reliability – 100% GF machines
- Location – Noe Valley’s only GF
- Customer Service – Know our customers
Building a Sustainable Competitive Advantage

1. Can not be copied by the competition

2. Marketing managers must continuously focus on the firms skills and assets

3. Understand: A sustainable competitive advantage is a function of the speed with which competitors can imitate a leading company’s strategy and plans.
Describe the criteria for stating good marketing objectives
Marketing Plan Objectives

Marketing Objective

A statement of what is to be accomplished through marketing activities.
Marketing Objectives

Marketing objectives are goals set by a business when promoting its products or services to potential consumers that should be achieved within a given time frame.

Typically, clients’ marketing objectives include some or all of the following:

- Increase sales
- Build brand awareness
- Grow market share
- Launch new products or services
- Target new customers
- Retain existing customers
- Enter new markets
- Improve stakeholder relations
- Enhance customer relationships
- Increase profit
Marketing Objectives

A marketing objective is always:
• Constant with the firms objectives
• Measureable
• Realistic
• Time-sensitive

“To attract 2,000 new customers to Morningstar within three months of store opening
Morningstar Marketing Objectives

1. Launch new bakery in Noe Valley and build brand awareness
2. Increase sales
3. Target new customers (non-celiac)
4. Retention program (enhance customer relations)
5. Enter new markets (retail distribution)
Examples of Marketing Objectives:

1. Build brand awareness of Morningstar by creating a social media presence (Facebook, Instagram and Twitter) within **one** month of opening.
2. Build awareness by signing one famous local celebrity with celiac to increase product awareness within six months of opening.
3. Develop a strong presence in the community by supporting two community social causes within six months of opening.
4. Generate $20,000 in sales in first six months of operations
5. Attract 1,000 non-ceeliac customers to Morningstar Bakery by end of year one
6. Develop a retention program in first month of operation to keep 40% of consumers returning
### Criteria for Good Marketing Objectives

Realistic, measurable, and time-specific objectives consistent with the firm’s objectives:

1. Communicate marketing management philosophy
2. Provide management direction
3. Motivate employees
4. Force executives to think clearly
5. Allow for better evaluation of results
END.
Discuss target market strategies
Describe the elements of the marketing mix
The Marketing Mix is...

a unique blend of product, place (distribution), promotion, and pricing strategies designed to produce mutually satisfying exchanges with a target market.

The elements of the marketing mix are often referred to as the "Four Ps"
Marketing Mix: The “Four Ps”

- Price
- Promotion
- Place
- Product
Marketing Mix: The “Four Ps”

- The starting point of the “4 Ps”
- Includes
  - Physical unit
  - Package
  - Warranty
  - Service
  - Brand
  - Image
  - Value

- Products can be...
  - Tangible goods
  - Ideas
  - Services
Marketing Mix: The “Four Ps”

- Product availability where and when customers want them
- All activities from raw materials to finished products
- Ensure products arrive in usable condition at designated places when needed
Marketing Mix: The “Four Ps”

◆ Role is to bring about exchanges with target markets by:
 ◆ Informing
 ◆ Educating
 ◆ Persuading
 ◆ Reminding

◆ Includes integration of:
 ◆ Personal selling
 ◆ Advertising
 ◆ Sales promotion
 ◆ Public relations
Marketing Mix: The “Four Ps”

- Price is what a buyer must give up to obtain a product.
- The most flexible of the “4 Ps” -- quickest to change
- Competitive weapon
- Price $\times$ Units Sold = Total Revenue
Following Up on the Marketing Plan

Explain why implementation, evaluation, and control of the marketing plan are necessary.
Marketing Plan Elements

Marketing Strategy

- Business Mission Statement
- Marketing Objectives
- Situation or SWOT Analysis

Target Market Strategy

Marketing Mix

- Product
- Promotion
- Distribution
- Price

Implementation
Evaluation
Control
Implementation

- Implementation
- Evaluation
- Control

Marketing audit is...
- Comprehensive
- Systematic
- Independent
- Periodic

LO$^9$
After the audit, three tasks remain

1. Profile and make recommendations about weaknesses and inhibiting factors as well as strengths and new opportunities.

2. Ensure that the role of the audit has been clearly communicated.

3. Make someone accountable for implementing recommendations.