Marketing Orientation vs. Production Orientation

- Marketing orientation: - describing your product in a way that shows its benefits to the consumer, for example Disney using marketing orientation would say they sell ‘fun, memories, enjoyment, dreams’.
- Production orientation: - describing your product in a way that says exactly what it does in a physical way, for example Disney using production orientation would say their parks ‘have good merchandise, safe rides, big parks’.

Marketing Strategy

- Marketing management: - the art and science of choosing target markets and building profitable relationships with them
- Marketing Mix: -
  - Product (quality, design, brand name, packaging, sizes, warranties)
  - Price (discounts, allowances, actual price)
  - Place
  - Promotion (advertising, direct marketing, online marketing), also
    - Physical evidence
    - Process (technology, etc)
    - People (relationships)

- Market segmentation: - dividing the market into segments of customers.
- Target market: - a similar group of customers to whom a company wants to appeal, choosing one of the segments of customers.
- Point-of-Sale Marketing (POS): - the final piece of marketing available, which is when the customer is in the place of purchase, about to buy something (e.g. posters, products placed next to tills for impulse purchasing, mobile couponing, LED screens, loyalty cards, catalogues).

The marketing landscape is changing due to:
- The uncertain economic environment
- The digital age
- Rapid globalisation
- Increases in the need for sustainable marketing

The Marketing process

1) What customers will we serve? (Market segmentation and targeting)
2) How can we best serve the target customers? (Differentiation and positioning, what value will the produce offer customers?)
3) Construct integrated marketing program (Product, price, promotion, place)
4) Design promotion programs to communicate the value proposition to target customers to persuade them to buy.
5) Build value-laden, profitable relationships with customers to retain them (good customer service, customer management).

ROMI: Return on Marketing Investment. Very hard to measure. However this is increasingly popular as marketers can no longer get away with spending big money and showing no results.
Company Analysis

• **Strategic Planning:** The process of developing and maintaining a strategic fit between the organisation’s goals and capabilities and its changing marketing opportunities. Note: *SWOT Analysis* (strengths, weaknesses, opportunities, threats).
  
• Steps in strategic planning: -
  1) Define company mission
  2) Set company objectives and goals
  3) Design the business portfolio
  4) Plan marketing and other functional strategies

• Company resources: - financial strength, production flexibility, channel relationships, distribution dominance, patents, technical capability, loyal customer base (strong brand).

Company-Wide Strategic Planning

• **Core Competencies:** the skills and abilities that enable a firm to deliver products or services to its customers, thereby producing exceptional results.
  
  Core competencies: -
  – Provide access to a wide range of markets
  – Make a significant contribution to the perceived customer benefits of the end-product
  – Are difficult for competitors to imitate

• For a company to be successful it needs a **mission statement**, which is a statement of the organisation’s purpose – what it wants to accomplish in the larger environment. This needs to be market-oriented, or there is a risk of myopia. E.g saying your mission statement is “we sell furniture” is too product-oriented, and is myopic, whereas saying “we sell comfort and relaxation” is more marketable. A company’s mission should be customer-oriented, not profit-oriented.

• The mission statement of a company should lead the entire business, from CEOs to sales reps, with each person’s job being to further reinforce the mission statement.

• **The Balanced Scorecard System:** an organisation needs to measure its performance on both financial and non-financial measures, instead of just using financial measures such as revenue, costs and profit to track its success. Financial measures tend to overemphasize short-run profits, whereas non-financial measures such as R&D, staff training and improved customer service have long-run effects on profits, which may not be shown in the short-run.

• There are four key strategic outcomes that every for-profit organisation wants to achieve: delighted customers, satisfied shareholders, effective processes, and a motivated and prepared workforce (*Kaplan and Norton*). These form the basis of the scorecard measure. (See pg 64 for a balanced scorecard).
Customer-Driven Marketing Strategy

• Involves: -
  – Market segmentation (split your potential customer base up depending on geographic, demographic, psychological or behavioural factors)
  – Market targeting (Selecting which market segments to target. A company should choose segments that can profitably generate the most customer value and sustain it over time)
  – Differentiation (how will the firm differentiate itself from its competitors in the market to give customers better value?)
  – Positioning (what positions does the firm want to occupy in its market segment? This is often shown by the firm’s slogan)

The Marketing Mix

• A set of tactical marketing tools that a firm blends to produce the response it wants in the target market.
• The four P’s (product, price, place, promotion) are crucial information gatherers for this. Can also include three other P’s (Physical evidence, people, processes)
• The four P’s can also be seen from the consumer’s point of view as the four C’s (customer solution, customer cost, convenience, communication)

Competitor Analysis

• Purpose: to predict future competitive moves, identify competitive vulnerability, predict competitors’ reactions to your own strategy.
• Look for: -
  – Current & past strategies
  – Objectives & assumptions
  – Organisation & culture
  – Cost structure & exit barriers
  – Strengths & weaknesses
  – Size, growth, profitability

• Porter’s 5 Forces (how competitive is an industry?): - threat of substitute products, bargaining power of suppliers, bargaining power of customers, threat of new entrants, competitors jockeying for position among you.
• The aim is to get a competitive advantage over your competitors (the company has a marketing mix that the target market sees as better than the competitor’s).
• Basic competitive strategies: -
  – Cost Leadership (become low cost producer in industry)
  – Differentiation (be unique along some dimensions that are valued by buyers)
  – Cost Focus (become low cost producer in a segment or group of segments)
  – Differentiation Focus (be unique in a segment or group of segments)

Marketing Management

• Managing the marketing process requires 4 management functions: -
  – Analysis
  – Planning
  – Implementation
  – Control
• **Marketing Analysis:** - Done using SWOT analyses of a company's situation.
  – **Strengths:** internal capabilities and resources
  – **Weaknesses:** internal limitations that may interfere with performance
  – **Opportunities:** favourable factors/trends in external environment
  – **Threats:** unfavourable external factors/trends that challenge performance
  ➢ Note: SWOT analyses can be expensive, time consuming, and limited.
  ➢ To see a Marketing Plan visit pg 79 of text.

• **Marketing Control:** evaluating the results of marketing strategies and plans and taking corrective action to ensure that the objectives are attained.
  – **Operating Control:** checking ongoing performance against annual plan and taking corrective action when necessary.
  – **Strategic Control:** looking at whether the company's basic strategies are well matched to its opportunities.

**Competitive Advantage**

• **Competitor Analysis:** -
  – **Identifying Competitors:** Can do this broadly or narrowly, from competitors selling a similar product at a similar price to similar customers, to anyone selling anything to your customers. Companies must look at their competitors from a market point of view in that their competitors are not just direct ones with similar products, but ones that are satisfying the same need. E.g. Pepsi isn't Coca-Cola's only competitor, all sellers of beverages are.
  – **Assessing Competitors:**
    ➢ Assess competitors’ objectives, particularly what segments they are moving into, and what products they are developing.
    ➢ Identify competitors’ strategies. The more similar two firm’s strategies are, the more likely they will compete. A collection of firms with the same strategy is called a strategic group.
    ➢ Assess competitors’ strengths and weaknesses. Collect data on rival companies and compare yourself to them. Comparing your company’s products/processes to that of an industry leader and then changing your practices to match is known as benchmarking.
    ➢ Assess competitors’ reactions. We want to know what will our competitors do? Use information from the above three points to attain this information.

  – **Selecting Competitors to Attack/Avoid**
    ➢ Are your competitors strong or weak? Most companies prefer to pick weak competitors, but picking stronger ones and beating them can yield more profits. Deciding whether you have a competitive advantage over competitors can be done using customer value analysis where you compare if your product gives the customer more value than a competitor.
    ➢ Are your competitors close or distant? Most companies prefer to compete against a close competitor, however this can backfire as
by destroying close competitors, it can bring in bigger, stronger ones.

- Are your competitors **useful**? Having a large competitor pave the way in a new market can make it much easier for a smaller company following behind. Large competitors can also be useful in innovating the market so smaller ones are saved the costs. **Good competitors** are those that play by industry rules and earn market share. **Bad competitors** are those that play by their own rules, and try to buy market share instead of earn it (iStockphoto).

  - **Finding Uncontested Market Spaces**
    - **Blue Ocean Strategy**: when companies try to find a market with no competitors at all (a blue ocean), usually by creating an entirely new product. This is the opposite of “red oceans” which are existing markets with bloody wars between rivals.

  - **Designing a Competitive Intelligence System**
    - This is the firm’s main way of gathering information on competitors.
    - It gathers information from the sales force, channels, suppliers, market research firms, websites and trade associations, and published government data. It then checks the validity of the information, interprets it, and organises it appropriately. Finally it sends the information to where it is useful.
    - Smaller companies cannot afford these costly systems, and so might assign an ‘in-house expert’ who watches a competitor.

• **Competitive Strategies**
  - **Approaches to Marketing Strategy**
    - **Entrepreneurial marketing**: early stages of marketing, forged by close relationships with customers, and very little formal advertising.
    - **Formulated marketing**: Once a company grows it starts to implement formal marketing strategies and sticks to them closely.
    - **Intrepreneurial marketing**: many large companies get stuck at formulated marketing, and need to get back to their roots with more innovation and implementation of new, fresh marketing plans.

  - **Basic Competitive Strategies**
    - **Overall cost leadership** (achieve lowest distribution and production costs. Price can be lowered as a result, increasing market share) E.g. Jetts Gym is cheaper as it’s not 24/7 staffed.
    - **Differentiation** (changing product largely so it comes across as an industry leader) E.g. Singapore Airlines, BMW.
    - **Focus** (focuses on serving a few segments well, instead of trying to please everyone) E.g. Hilton Hotels.
    - **Operational Excellence** (provide superior value by leading industry in price and convenience. Serve customers who want reliable, good-quality, products cheaply) E.g. Aldi, Jetstar.
    - **Customer Intimacy** (Precisely segment market and tailor services to fit them. Develop strong customer bonds. Customers are then
willing to pay a premium to get what they want) E.g. Lexus, British Airways.

- **Product leadership** (Company provides continuous leading-edge products. Serve customers who want state-of-the-art products regardless of costs). E.g. Apple, Samsung.

- **Competitive Positions**
  - **Market leader (40% market share):** The firm with the largest market-share in an industry; it usually leads other firms in price changes, new product introductions, distribution coverage and promotion spending.
  - **Market challengers (30%):** A runner-up firm in an industry that is fighting hard to increase its market-share.
  - **Market followers (20%):** A runner-up firm in an industry that wants to hold its share without rocking the boat.
  - **Market nichers (10%):** A firm in an industry that serves small segments that the other firms overlook or ignore.

- **Market Leader Strategies**
  - *Expanding total demand:* Develop new users, new uses, and more usage of its products. This can be done through sponsorship of TV shows, such as Campbell’s sponsoring *MasterChef*, as well as making your product more attractive to different demographics.
  - *Protecting market share:* Use continuous innovation to ward off competitors.
  - *Expanding market share:* Trends show as market share increases, so does profits, however this is not 100% true. Unit costs also need to decrease.

- **Market Challenger Strategies**
  - Directly challenge the leader. Risky but can provide great outcomes if successful. Could use ‘second-mover advantage’ to challenge the leader where the second company observes what the leader did and improves on it.
  - Avoid the leader and challenge smaller firms instead. It can buy or aim to put other businesses out of business.
  - Full frontal attack: match competitor’s product, price, advertising, and distribution. This attacks the competitor's strengths rather than weaknesses. Pepsi does this with Coca-Cola.
  - Indirect attack: Smaller companies do this and this is where they exploit a large company’s weaknesses in market coverage. Red Bull did this with the soft-drink market.

- **Market Follower Strategies**
  - Follow the market leader's strategies, and copy or improve on those products with less investment.
  - Become a **cloner.** Lives off leader's investments. Copies their strategies almost identically.
  - Become an **imitator.** Copies some things from the leader, but also differentiates itself through packaging, advertising, pricing, and service.
  - Become an **adaptor.** Builds on the leader’s products and marketing programs, often improving them. May choose different