

Strategic marketing plan

Business



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The information for this article was derived from many sources, including Michael Porter's book *Competitive Advantage* and the works of Philip Kotler. Concepts addressed include 'generic' strategies and strategies for pricing, distribution, promotion, advertising and market segmentation. Factors such as market penetration, market share, profit margins, budgets, financial analysis, capital investment, government actions, demographic changes, emerging technology and cultural trends are also addressed.

There are two major components to your marketing strategy: how your enterprise will address the competitive marketplace and how you will implement and support your day to day operations. In today's very competitive marketplace a strategy that insures a consistent approach to offering your product or service in a way that will outsell the competition is critical.

However, in concert with defining the marketing strategy you must also have a well defined methodology for the day to day process of implementing it. It is of little value to have a strategy if you lack either the resources or the expertise to implement it. In the process of creating a marketing strategy you must consider many factors. Of those many factors, some are more important than others.

Because each strategy must address some unique considerations, it is not reasonable to identify 'every' important factor at a generic level. However, many are common to all marketing strategies. Some of the more critical are described below. You begin the creation of your strategy by deciding what the overall objective of your enterprise should be. In general this falls into one of four categories: If the market is very attractive and your enterprise is one of the strongest in the industry you will want to invest your best

resources in support of your offering. If the market is very attractive but your enterprise is one of the weaker ones in the industry you must concentrate on strengthening the enterprise, using your offering as a stepping stone toward this objective.

If the market is not especially attractive, but your enterprise is one of the strongest in the industry then an effective marketing and sales effort for your offering will be good for generating near term profits. If the market is not especially attractive and your enterprise is one of the weaker ones in the industry you should promote this offering only if it supports a more profitable part of your business (for instance, if this segment completes a product line range) or if it absorbs some of the overhead costs of a more profitable segment. Otherwise, you should determine the most cost effective way to divest your enterprise of this offering. Having selected the direction most beneficial for the overall interests of the enterprise, the next step is to choose a strategy for the offering that will be most effective in the market. This means choosing one of the following ‘generic’ strategies (first described by Michael Porter in his work, *Competitive Advantage*). A **COST LEADERSHIP STRATEGY** is based on the concept that you can produce and market a good quality product or service at a lower cost than your competitors.

These low costs should translate to profit margins that are higher than the industry average. Some of the conditions that should exist to support a cost leadership strategy include an on-going availability of operating capital, good process engineering skills, close management of labor, products designed for ease of manufacturing and low cost distribution. A **DIFFERENTIATION STRATEGY** is one of creating a product or service that is perceived as being

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unique “ throughout the industry”. The emphasis can be on brand image, proprietary technology, special features, superior service, a strong distributor network or other aspects that might be specific to your industry. This uniqueness should also translate to profit margins that are higher than the industry average. In addition, some of the conditions that should exist to support a differentiation strategy include strong marketing abilities, effective product engineering, creative personnel, the ability to perform basic research and a good reputation.

A FOCUS STRATEGY may be the most sophisticated of the generic strategies, in that it is a more ‘ intense’ form of either the cost leadership or differentiation strategy. It is designed to address a “ focused” segment of the marketplace, product form or cost management process and is usually employed when it isn’t appropriate to attempt an ‘ across the board’ application of cost leadership or differentiation. It is based on the concept of serving a particular target in such an exceptional manner, that others cannot compete. Usually this means addressing a substantially smaller market segment than others in the industry, but because of minimal competition, profit margins can be very high. Pricing Having defined the overall offering objective and selecting the generic strategy you must then decide on a variety of closely related operational strategies.

One of these is how you will price the offering. A pricing strategy is mostly influenced by your requirement for net income and your objectives for long term market control. There are three basic strategies you can consider. A SKIMMING STRATEGY If your offering has enough differentiation to justify a high price and you desire quick cash and have minimal desires for significant

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market penetration and control, then you set your prices very high. A MARKET PENETRATION STRATEGY If near term income is not so critical and rapid market penetration for eventual market control is desired, then you set your prices very low. A COMPARABLE PRICING STRATEGY If you are not the market leader in your industry then the leaders will most likely have created a ‘ price expectation’ in the minds of the marketplace.

In this case you can price your offering comparably to those of your competitors. Promotion To sell an offering you must effectively promote and advertise it. There are two basic promotion strategies, PUSH and PULL. The PUSH STRATEGY maximizes the use of all available channels of distribution to “ push” the offering into the marketplace. This usually requires generous discounts to achieve the objective of giving the channels incentive to promote the offering, thus minimizing your need for advertising. The PULL STRATEGY requires direct interface with the end user of the offering.

Use of channels of distribution is minimized during the first stages of promotion and a major commitment to advertising is required. The objective is to “ pull” the prospects into the various channel outlets creating a demand the channels cannot ignore. There are many strategies for advertising an offering. Some of these include: Product Comparison advertising In a market where your offering is one of several providing similar capabilities, if your; Product Comparison advertising In a market where your offering is one of several providing similar capabilities, if your offering stacks up well when comparing features then a product comparison ad can be beneficial. Product Benefits advertising When you want to promote your offering without comparison to competitors, the product benefits ad is the correct approach.

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This is especially beneficial when you have introduced a new approach to solving a user need and comparison to the old approaches is inappropriate.

Product Family advertising If your offering is part of a group or family of offerings that can be of benefit to the customer as a set, then the product family ad can be of benefit. **Corporate advertising** When you have a variety of offerings and your audience is fairly broad, it is often beneficial to promote your enterprise identity rather than a specific offering. **Distribution** You must also select the distribution method(s) you will use to get the offering into the hands of the customer. These include: **On-premise Sales** involves the sale of your offering using a field sales organization that visits the prospect's facilities to make the sale. **Direct Sales** involves the sale of your offering using a direct, in-house sales organization that does all selling through the Internet, telephone or mail order contact.

Wholesale Sales involves the sale of your offering using intermediaries or “middle-men” to distribute your product or service to the retailers. **Self-service Retail Sales** involves the sale of your offering using self service retail methods of distribution. **Full-service Retail Sales** involves the sale of your offering through a full service retail distribution channel. Of course, making a decision about pricing, promotion and distribution is heavily influenced by some key factors in the industry and marketplace. These factors should be analyzed initially to create the strategy and then regularly monitored for changes. If any of them change substantially the strategy should be reevaluated.

The Environment Environmental factors positively or negatively impact the industry and the market growth potential of your product/service. Factors to consider include: Government actions – Government actions (current or under consideration) can support or detract from your strategy. Consider subsidies, safety, efficacy and operational regulations, licensing requirements, materials access restrictions and price controls. Demographic changes – Anticipated demographic changes may support or negatively impact the growth potential of your industry and market. This includes factors such as education, age, income and geographic location.

Emerging technology – Technological changes that are occurring may or may not favor the actions of your enterprise. Cultural trends – Cultural changes such as fashion trends and life style trends may or may not support your offering's penetration of the market The Prospect It is essential to understand the market segment(s) as defined by the prospect characteristics you have selected as the target for your offering. Factors to consider include:; The potential for market penetration involves whether you are selling to past customers or a new prospect, how aware the prospects are of what you are offering, competition, growth rate of the industry and demographics. The prospect's willingness to pay higher price because your offering provides a better solution to their problem. The amount of time it will take the prospect to make a purchase decision is affected by the prospects confidence in your offering, the number and quality of competitive offerings, the number of people involved in the decision, the urgency of the need for your offering and the risk involved in making the purchase decision. The prospect's willingness to pay for product value is determined by their knowledge of competitive

pricing, their ability to pay and their need for characteristics such as quality, durability, reliability, ease of use, uniformity and dependability.

Likelihood of adoption by the prospect is based on the criticality of the prospect's need, their attitude about change, the significance of the benefits, barriers that exist to incorporating the offering into daily usage and the credibility of the offering. The Product/Service You should be thoroughly familiar with the factors that establish products/services as strong contenders in the marketplace. Factors to consider include: Whether some or all of the technology for the offering is proprietary to the enterprise. The benefits the prospect will derive from use of the offering. The extent to which the offering is differentiated from the competition. The extent to which common introduction problems can be avoided such as lack of adherence to industry standards, unavailability of materials, poor quality control, regulatory problems and the inability to explain the benefits of the offering to the prospect.

The potential for product obsolescence as affected by the enterprise's commitment to product development, the product's proximity to physical limits, the ongoing potential for product improvements, the ability of the enterprise to react to technological change and the likelihood of substitute solutions to the prospect's needs. Impact on customer's business as measured by costs of trying out your offering, how quickly the customer can realize a return from their investment in your offering, how disruptive the introduction of your offering is to the customer's operations and the costs to switch to your offering. The complexity of your offering as measured by the existence of standard interfaces, difficulty of installation, number of options, <https://assignbuster.com/strategic-marketing-plan/>

requirement for support devices, training and technical support and the requirement for complementary product interface. Conclusion After defining your strategy you must use the information you have gathered to determine whether this strategy will achieve the objective of making your enterprise competitive in the marketplace. Two of the most important assessments are described below.

Cost To Enter Market This is an analysis of the factors that will influence your costs to achieve significant market penetration. Factors to consider include: Your marketing strength. Access to low cost materials and effective production. The experience of your enterprise. The complexity of introduction problems such as lack of adherence to industry standards, unavailability of materials, poor quality control, regulatory problems and the inability to explain the benefits of the offering to the prospect.

The effectiveness of the enterprise infrastructure in terms of organization, recruiting capabilities, employee benefit programs, customer support facilities and logistical capabilities. Distribution effectiveness as measured by history of relations, the extent of channel utilization, financial stability, reputation, access to prospects and familiarity with your offering.

Technological efforts likely to be successful as measured by the strength of the development organization. The availability of adequate operating capital.

Profit Potential This is an analysis of the factors that could influence the potential for generating and maintaining profits over an extended period.

Factors to consider include: Potential for competitive retaliation is based on the competitors resources, commitment to the industry, cash position and

predictability as well as the status of the market. The enterprise's ability to construct entry barriers to competition such as the creation of high switching costs, gaining substantial benefit from economies of scale, exclusive access to or clogging of distribution channels and the ability to clearly differentiate your offering from the competition. The intensity of competitive rivalry as measured by the size and number of competitors, limitations on exiting the market, differentiation between offerings and the rapidity of market growth. The ability of the enterprise to limit suppliers bargaining power. The enterprise's ability to sustain its market position is determined by the potential for competitive imitation, resistance to inflation, ability to maintain high prices, the potential for product obsolescence and the 'learning curve' faced by the prospect. The availability of substitute solutions to the prospect's need. The prospect's bargaining power as measured by the ease of switching to an alternative, the cost to look at alternatives, the cost of the offering, the differentiation between your offering and the competition and the degree of the prospect's need. Market potential for new products considering market growth, prospect's need for your offering, the benefits of the offering, the number of barriers to immediate use, the credibility of the offering and the impact on the customer's daily operations. The freedom of the enterprise to make critical business decisions without undue influence from distributors, suppliers, unions, investors and other outside infl