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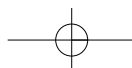
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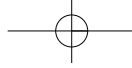
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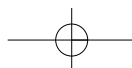
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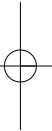
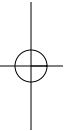
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part one

TEXT





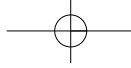
CHAPTER 1

WHAT IS STRATEGIC MARKETING?

Learning objectives

By reading this chapter you will learn:

- ▶ The organisation, structure and purpose of this book
- ▶ The distinction between strategy and tactics
- ▶ The differences between corporate strategy and competitive strategy
- ▶ The differences between corporate strategy and marketing strategy
- ▶ What is meant by effectiveness and efficiency in marketing
- ▶ The defining characteristics of strategic marketing.



4 CONTEMPORARY STRATEGIC MARKETING

➔ INTRODUCTION

It is only in recent years that the significance of customer expectations has come to be well understood in marketing. A wealth of research followed the initial revelation by Parasuraman et al. (1985) that, in the marketing of services, customer satisfaction was not solely determined by the objective quality of the service offered, but was also affected by the customer's expectations. This has some rather unexpected implications. For example, two businesses that deliver identical service to customers can achieve quite different customer satisfaction ratings, because one of them was expected to perform much better than the other. Rather ironically, it is the business that was expected to perform badly that would get better customer satisfaction ratings than the business that was expected to perform well. Customers are dissatisfied when there is a large gap between their expectations and the service actually delivered. For that reason, marketers have come to recognise the importance of actively managing customer expectations (we will deal with this topic at greater length in Chapter 10). In this chapter we aim to do three things. First, to manage your expectations concerning what this book can do; second, to provide an overview of the book; third, to introduce the concept of strategic marketing. Your first expectation might have been that we would explain what we meant by 'strategic marketing' in this chapter – and that expectation will shortly be met! Before we move on, however, and to illustrate the diverse range of contexts in which strategic marketing tools can be applied, you might like to know that the basic approach to measuring service quality devised by Parasuraman and colleagues all those years ago is today in widespread use and has, to name but three examples, recently been used in the police service (Donnelly et al., 2006), the Greek business-to-business sector (Gounaris, 2005), and in childcare services for children with an intellectual disability (Koornneef, 2006).

Now, let us imagine that you have asked three very reasonable questions:

- ▶ Will this book provide me with the necessary tools to be able to develop and sustain a competitive advantage for my (future) organisation?
- ▶ Will this book give me the universal principles of strategic marketing?
- ▶ Will this book tell me how to plan my marketing strategy?

➔ CAN THIS BOOK GIVE ME A SUSTAINABLE COMPETITIVE ADVANTAGE?

One of the primary purposes of strategic marketing is to identify ways in which an organisation can create and sustain a competitive advantage over its rivals. In starting to read a book entitled *Contemporary Strategic Marketing* you might expect that, by reading it diligently, you would learn how to create and sustain such a competitive advantage. Is this a reasonable expectation?

At a number of points in this book you will find us making use of a medical analogy. For example, in Chapter 12 we discuss the process of identifying 'symptoms' in a case study and using these to 'diagnose the underlying disease'. While we think that the use of the medical analogy is legitimate, and will help you to understand what we are saying, it has to be admitted that there is a severe limitation with the analogy when we discuss strategic marketing. In medicine, the patient and the doctor are collaborating towards the common goal of curing a disease. The disease is not an



intelligent adversary, it does not predict the likely strategies employed by the doctor and devise counter-strategies. Strategic marketing, however, is concerned with situations in which the adversary is intelligent, does predict the likely strategies that you will employ, and does devise counter-strategies to defeat you. As Varadarajan and Jayachandran (1999, p. 125) put it: 'Competitive behaviour, the actions and reactions of competitors, is central to marketing strategy research and practice.'

The fact that you are engaging with an intelligent adversary, who will predict and react against your strategies, creates something of a paradox. The fundamental purpose of strategic marketing is to achieve and sustain a competitive advantage over rival firms. Is it possible to achieve a sustainable competitive advantage by employing strategic marketing techniques that are publicly available to everyone through the medium of textbooks such as this one? In the past, when far fewer managers experienced formal training in marketing, the answer might have been 'yes' because your rivals did not have equivalent general knowledge of marketing strategy. Today this is far less likely to be the case. The acquisition of general strategic marketing knowledge and skills is unlikely to bestow a real competitive advantage. Does that mean, then, that such knowledge and skills are useless? Absolutely not. In a world in which more and more business people have experienced formal training in strategic marketing, a business (or an individual) that is ignorant of strategic marketing principles is clearly at a competitive disadvantage. We do not claim that the knowledge and skills acquired through using this book will enable you effortlessly to develop marketing strategies that offer competitive advantage over rival firms. More likely, it will put you on a level playing field with your rivals.

➔ WILL THIS BOOK GIVE ME UNIVERSAL PRINCIPLES OF STRATEGIC MARKETING?

If this book is unlikely to provide you with a sustainable competitive advantage over your rivals, then you might expect that it would, at least, provide the universal principles of strategic marketing. Is this a reasonable expectation? Let us take a considered look at the type of knowledge that has gone into the book.

Rossiter (2001) has argued that marketing knowledge can be conveniently classified into four categories:

- ▶ Marketing concepts – the building blocks of marketing knowledge
- ▶ Structural frameworks – checklists and non-causal marketing models
- ▶ Strategic principles – marketing models that present causal links between marketing variables, and so suggest plausible courses of action under given circumstances ('if this is the case, then you should do the following')
- ▶ Research principles – marketing models that suggest the appropriate research techniques to use to achieve defined research objectives.

This book is very largely concerned with the middle two categories, structural frameworks and strategic principles. Our assumption is that anyone reading this book will have previously studied an introductory course in marketing, or have read an introductory textbook, so that the reader is familiar with basic marketing concepts.



6 CONTEMPORARY STRATEGIC MARKETING

Many people reading this book will also have studied marketing research, and so be familiar with 'research principles'. This knowledge will certainly help in tackling the case studies, but is not essential in order to understand the concepts that are explained in the main text.

The main emphasis in this book is upon what Rossiter calls structural frameworks and strategic principles. There is an interesting distinction between these two categories that may not be immediately obvious to the marketing student or practitioner. Structural frameworks are essentially descriptive lists of concepts. Probably the most famous is the marketing mix itself (product, price, promotion and place, with the addition of people, physical evidence and process for service products). They are useful as a means of organising the thinking process, and can serve as a checklist to make sure that nothing important has been left out. However, they do have certain disadvantages. For example, it is desirable that a checklist should be comprehensive, yet simple. In practice these desirable characteristics tend to be contradictory. The more comprehensive a checklist becomes, the more complicated it is to use. We return to this theme in Chapter 5, where we discuss the various structural frameworks that have been suggested to model the marketing environment.

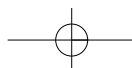
Strategic principles are prescriptions for managerial action, recommending what should be done when faced with a particular set of circumstances. For example, in Chapter 8 we discuss the circumstances in which it is appropriate to implement marketing strategies based on the deepening of relationships with customers. However, a word of caution is in order concerning the 'strategic principles' of marketing. We would agree with Rossiter when he argues:

All strategic principles will be conditional. The conditionality is the 'context' of the principle's applicability ... It has become increasingly clear that there are no *universal* principles in marketing, not even the Marketing Concept, Market Segmentation, the Product Life Cycle, or Relationship Marketing. (Rossiter, 2001, p. 16)

➔ WILL THIS BOOK TELL ME HOW TO PLAN MY STRATEGY?

While it may not be able to give you a sustainable competitive advantage, or even tell you what are the universal principles of strategic marketing, surely this book will be able to tell you how to plan your strategy? That, you would think, must be a reasonable expectation. However, as you will appreciate by now, things are not quite as simple as they seem.

The idea of a strategy is most commonly understood to be a plan for the future. Mintzberg (1994) reviewed the history of strategic business planning. He showed that the predominant view is that strategic planning is a controlled, conscious, formalised process, largely conducted by an organisation's top management team. In this view of business strategy there is a clear and logical process by which the strategy is formulated. The process begins with data gathering and analysis, which is an essential input into the process of formulating strategic options that the firm may pursue. The formulation of options precedes the process of strategic choice, where decisions are made about which of the options will be selected. Finally, the selected strategy is implemented. However, in an earlier work Mintzberg had already pointed to an apparent paradox in strategic planning:



Ask almost anyone what strategy is, and they will define it as a plan of some sort, an explicit guide to future behaviour. Then ask them what strategy a competitor or a government or even they themselves have actually pursued. Chances are that they will describe consistency in past behaviour – a pattern in action over time. Strategy, it turns out, is one of those words that people define in one way and often use in another, without realizing the difference. (Mintzberg, 1987, p. 66)

Mintzberg argues that people tend to think of strategy *in the abstract* as a plan for the future, but they tend to think of strategy *in practice* as a consistency in past behaviour.

This brings us to the important distinction between ‘intended’ or ‘deliberate’ strategy and ‘emergent’ strategy. Mintzberg (1994) claims that the realised strategy of an organisation comes about as a result of both deliberate and emergent strategy processes. The deliberate strategy process is the one described in the previous paragraph, with a neat progression through the steps of data gathering, analysis, formulation, choice and then implementation. Emergent strategy, on the other hand, can only be recognised retrospectively. Emergent strategy is a pattern that emerges from the behaviour of an organisation over time. It is the result of the accumulated effect of decisions taken by the members of an organisation. For example, Brennan and Turnbull (1997, 1999) found that a supplier of automotive components had adapted the organisational structure and operating systems of the business so that they addressed the needs of a single, large car manufacturer. It was not, and never had been, the explicit strategy of the company to become more and more adapted to the needs of this single customer. Indeed, the explicit strategy of the company was to become less dependent on the car manufacturer, and to develop new business opportunities outside the car industry. However, by a long sequence of operational decisions taken by a wide range of managers over an extended period of time, the car components supplier had, in effect, implemented a strategy of ever-increasing adaptation to the needs of a single customer. In Mintzberg’s terms this was the ‘realised strategy’ of the components suppliers, while the ‘intended strategy’ – to develop new lines of business – had so far remained unrealised. The ‘realised strategy’ emerged as a pattern in a stream of management decisions, but was never actually adopted as the formal strategy of the components supplier. (You can explore the strategic marketing dilemma faced by this components supplier further in the ‘BriCol Engineering Ltd’ case study to be found later in the book.)

In this book we will accept Mintzberg’s fundamental argument that strategy (in this case marketing strategy) can be both deliberate and emergent. The structure of the book, as we will see in the next section, is broadly organised around the structure of a formal, planned approach to strategy making. However, that is not meant to suggest that strategy is only created through formal, planned systems – such as the marketing planning process that is described in Chapter 6. Strategy development is not a simple formulaic process in which a set of well-defined tools is applied to a body of data, and out pops the ideal strategy. Creativity, flexibility and serendipity also play their part in successful strategy development. However, all other things being equal, we would contend that the careful application of formal planning procedures improves the process of marketing strategy development.



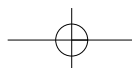
➔ THE ORGANISATION OF THIS BOOK

The book is divided into three parts: text, case studies and readings. Much the largest part of the book is the text. Here we present our own perspective on the substantial body of knowledge that has come to be accepted as the core of strategic marketing, and we go beyond this accepted core to explain some of the most recent developments in strategic marketing thinking. We begin, in the remainder of this chapter, with a discussion of the nature of strategic marketing. There is considerable scope for confusion in the use of terminology in this field. For example, how are we to distinguish strategy from tactics, or from budgeting? How are we to distinguish marketing strategy from corporate strategy? Questions such as these are addressed in the following sections.

In Chapters 2 and 3 we examine contemporary thinking on consumer behaviour and organisational buying behaviour. Many of the themes and concepts that are tackled later in the book (such as market segmentation and relationship marketing) depend upon an understanding of these principles of buyer behaviour. Chapter 2 deals with the processes used by private consumers when making decisions about their own purchases, or about purchases on behalf of a household. The concepts discussed in Chapter 2 are important inputs to the process of marketing strategy development in consumer markets. Chapter 3 is concerned with the processes used by members of organisations when making organisational purchasing decisions. These concepts are key inputs to the development of marketing strategies in industrial or business-to-business markets such as in marketing filtration systems to food or chemical manufacturers.

Chapters 4 to 7 deal with the commonly accepted heart of strategic marketing – the analysis of the environment and the development of marketing strategy. The marketing environment is usually subdivided into the competitive environment and the macroenvironment. Chapter 4 deals with the forces that shape the competitive environment, focusing particularly on the underlying conditions of demand and supply in the market, and the ‘five forces’ of competition (direct rivalry, new entry, substitutes, power of buyers, power of suppliers) identified by Michael Porter (1980). In Chapter 5 we introduce models that can be used to structure the macroenvironment and to allocate priorities to environmental forces, and discuss some key contemporary issues such as the increasing average age of the population and its implications for marketers. Chapters 6 and 7 then present a total of 16 ‘Key Concepts’ of strategic marketing. These ‘Key Concepts’ range from elementary structural frameworks such as the SWOT (strengths, weaknesses, opportunities and threats), to quite complex technical analytical procedures, including discounted cash-flow analysis. It is unusual to find a discussion of discounted cash-flow analysis in a strategic marketing textbook. However, in order to understand certain other very important strategic marketing concepts (value-based marketing in Chapter 6, and the life-time value of a customer in Chapter 8) it is essential to have a grasp of discounted cash flow.

In Chapters 8, 9, 10 and 11 we explore the application of strategic marketing in four particularly important contemporary contexts. Relationship marketing has been defined in many ways. The one feature that is stable is the focus of the marketer on retaining customers as well as attracting new customers – a focus that goes beyond one single transaction between a buyer and a seller. How this can be done and how effective such strategies are in different types of market are discussed in Chapter 8. Chapter 9 looks at the growing impact of information and communications technologies on marketing strategy. Then in Chapter 10 we look at a characteristically



modern phenomenon – the extension of formalised strategic marketing into aspects of life that until recently were considered to be outside marketing's scope. The conceptual focus of Chapter 10 is on strategic services marketing, but the range of service contexts into which marketing has permeated, as we saw above, is both vast and diverse, including the police, social services, football clubs and political parties, as well as the more orthodox consumer and business-to-business commercial service arenas. What has emerged recently is a much more strategic approach to marketing in many different areas of service delivery, emphasising the use of marketing research, market segmentation and relationship marketing strategies. In Chapter 11 we add the international dimension to the jigsaw puzzle of marketing strategy formulation. This chapter addresses the specific questions that have to be asked when marketing strategy crosses national borders, as well as the wider debate about whether a marketing strategy can be truly global (because international market needs are becoming more homogeneous) or must be customised to the specific circumstances of individual national markets (Levitt 1983, Sheth and Parvatiyar, 2001).

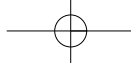
Chapter 12 forms a link between the first part of the book (the text) and the second (the case studies). In this chapter we discuss the value of case studies as a method of learning about strategic marketing, present a structured approach to case study analysis, and provide guidance on the effective communication of case study analysis in writing and in face-to-face presentations.

As we explain in Chapter 12, one of the difficulties in learning about strategic marketing is that most students cannot practise what they learn in a real organisation. The 15 case studies that form Part Two of the book provide opportunities to practise the skills of strategic marketing. All but two of the case studies describe undisguised, real circumstances and real organisations. The remaining two case studies (BriCol Engineering Ltd and Trouble with the CPC100) are based on real circumstances and real organisations, but have been disguised to protect the anonymity of the people involved. We have striven to provide a comprehensive range of case studies so as to illustrate strategic marketing in a wide range of contexts.

In Part Three we provide a small selection of readings that give more extensive treatment of some of the themes that we discuss in Part One. It should be emphasised that we have not aimed to provide a complete set of readings that would adequately support an in-depth course in strategic marketing. Rather, we have provided a small selection of readings that is clearly and directly related to major themes in our text, which will illustrate the benefits that can be obtained from engaging with the extensive literature that exists on strategic marketing. Those readers who are sufficiently enthused by this taster to want to explore further should use the references at the end of each chapter as a guide.

➔ STRATEGY AND STRATEGIC MARKETING

In the remainder of this chapter a number of important questions about strategy and strategic marketing are addressed, starting with the very nature of strategy itself. Once we have an understanding of the nature of strategy, then we are in a position to address the nature of strategic marketing, and to differentiate strategic marketing from a simple 'forecasting and budgeting' approach. Having established a sound understanding of the nature of strategy and strategic marketing, in chapters that follow the elements of the strategic marketing planning process are introduced and explained.



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WHAT IS STRATEGY?

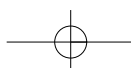
It is hard to imagine a business conversation today that does not include the word 'strategy'. We talk about Microsoft's strategy in software, Coca-Cola's strategy in China, McDonald's human resource strategies, IBM's marketing strategies, Intel's technology strategy and so on. Its frequent use would suggest that the term '*strategy*' is unambiguous and its meaning well understood. Unfortunately, it is not. (de Kluyver, 2000, p. 3)

De Kluyver is surely correct when he asserts that the word 'strategy' has become one of the most frequently used words in the business lexicon. Indeed, 'strategy' may well be one of the most overused words in the English language. It often seems as though the word is used simply to emphasise that the writer (or the speaker) thinks that something is important. When we talk about strategic marketing or strategic market planning, however, we are using the word in a more precise sense. The original meaning of strategy is derived from the military application of the word, where strategy is concerned with the overall disposition of forces in a military campaign. Tactical decisions are those decisions taken on the ground, by operational military commanders, often in the heat of battle and in direct response to an enemy manoeuvre. Strategic decisions concern the identification of high-level military objectives and the disposition of forces to achieve these; central to such decisions is the fact that there is an enemy who is also making strategic decisions and who can be expected to try to anticipate and thwart our strategy. In business strategy, and in marketing strategy, this military analogy can be helpful. Strategic marketing decisions are made away from the scene of marketing warfare, and concern the overall disposition of marketing 'forces'. Tactical marketing decisions are made in the heat of the marketing battle, often in direct response to a competitor initiative.

The analogy between military strategy and marketing strategy has been explored by John Saunders (1994). Some of the suggestions that emerge from the military analogy are of potential value to marketing strategists. For example, military strategy would suggest that you should not engage in a frontal assault on a powerful and well-entrenched enemy, since the chances of success are very poor. It makes more sense to adopt an outflanking strategy, or to engage in guerrilla warfare against such an enemy. These are useful analogies. The chances of achieving success by attacking a well-established market leader by adopting a similar marketing mix are slim. An out-flanking strategy (developing a 'next generation' product) or a guerrilla strategy (picking off niche markets one by one) is more likely to succeed. However, it is possible to go too far with the military analogy. Increasingly, marketing strategists are finding that their competitors in one market are their collaborators in a strategic alliance in another market. Your competitor in one product area could be your supplier in another product area, and perhaps your customer in yet another area. Hence, naive military analogies focusing on the sole aim of destroying the enemy have only a limited role in marketing strategy.

Buzzell and Gale (1987, p. 18) defined strategy as: 'The policies and key decisions adopted by management that have *major* impacts on financial performance. These policies and decisions usually involve significant resource commitments and are not easily reversible.'

They made the distinction, which is today widely accepted, between *business unit strategy* and *corporate strategy*. Business unit strategy is concerned with how an individual business competes with its rivals, what it does and what it could do to stay in business and beat the competition. Corporate strategy is concerned with decisions



made in an organisation comprising multiple businesses (often called strategic business units, or simply SBUs). Questions of corporate strategy concern the overall shape of the corporation, which SBUs should form part of the overall portfolio, and the way in which key resources (such as investment capital) should be divided between them. *Strategic marketing management is concerned with business unit strategy, also known as competitive strategy.*

Mintzberg et al. (1998) suggested that we need five definitions of strategy, which they conveniently labelled as the five Ps for strategy – plan, pattern, position, perspective and ploy. Very often we think of strategy as a plan, meaning a direction or a guide to get the organisation from where it is now to where it wants to be in the future (this is referred to as the ‘intended strategy’). However, as Mintzberg et al. (1998, p. 11) argued: ‘The real world inevitably involves some thinking ahead as well as some adaptation en route.’ In other words, organisations have to take account of contingencies that make it impossible to implement their strategies exactly as they were planned. Looking backwards at what was actually done, strategy can be thought of as a coherent pattern in the stream of decisions that the organisation made. Position is also thought to be an important aspect of strategy; companies seek to establish a position in the market that is both unique and valued by customers. When we talk about strategy as perspective we are talking about the company’s fundamental way of doing things, what the overall goals are and what values the company espouses. For example, the leading construction equipment manufacturer Caterpillar aims to be a global leader in customer value, to deliver growing shareholder value, an excellent working environment, to be socially responsible, and to sustain the quality of our planet. Finally, when we talk about strategy as a ploy, we are referring to the fairly common usage of the word to mean a clever manoeuvre designed to outwit our rivals.

Strategy is concerned with strategic decision-making. McDonald (1996) identified four characteristics of strategic decisions. First, they are concerned with the long-term orientation of the organisation, rather than day-to-day management issues. Second, strategic decisions define the scope of the organisation’s activities, selecting what it will do and what it will not do. The third and fourth characteristics of strategic decisions both concern matching of the organisation’s activities – they have to be matched to the external environment, and they have to be matched to its resource capacity. There is no point in setting objectives and devising strategies that are unconnected to the realities of the business environment, nor is there any point in pursuing strategies that cannot be implemented using the available resources.

WHAT IS THE DIFFERENCE BETWEEN STRATEGY AND TACTICS?

A strategic decision involves the creation, change or retention of a strategy. In contrast to a tactical decision, a strategic decision is usually costly in terms of the resources and time required to reverse or change it. The cost of altering a wrong decision may be so high as to threaten the very existence of an organisation. Normally, a strategic decision has a time frame greater than one year; sometimes decades are involved. (Aaker, 1998, p. 18)

Tactical manoeuvres tend to be sufficient to cope only with short-term and localised conditions and circumstances. They are only effective in the long term and on a large scale if they are coordinated and integrated within a more broadly based strategic framework. (Baker, 1992, p. 3)

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There is no doubt that the distinction between strategy and tactics causes a lot of confusion. Yet the quotations from Aaker and Baker would tend to suggest that there is a clear distinction between the two concepts. While this is certainly true conceptually, there is little doubt that business people, students and scholars often become confused in practice. Broadly speaking, strategic decisions are important decisions that will affect the direction of the business for a long time, and that have a considerable impact on the way in which organisational resources are allocated. Practical implications of this are that strategic decisions are usually taken by senior members of the organisation (by top executives in a large firm, and by the owner-manager in a small firm), and that decision-making can be a lengthy process. For example, the decision by the German automobile group BMW to divest itself of the British manufacturer Rover Group was a strategic decision involving top managers and a great deal of information gathering and analysis. Clearly, this decision would have a major impact on the future of the BMW group. Tactical decisions, on the other hand, are made by members of the organisation at many different levels, and are often made quickly. For example, a sales executive may have to make a decision within seconds while sitting in a client's office – would the offer of a small additional discount be enough to win a substantial order?

McDonald (1999) made *time* the key factor distinguishing strategic planning from tactical planning. He defined a strategic plan as a plan that covers a period beyond the next fiscal year, usually three to five years, while a tactical plan goes into great detail about actions to be undertaken in the short term (usually one year or less). McDonald's conclusions about the depth of understanding of strategic marketing among marketing practitioners were not flattering (p. 31, emphasis in original):

Few practising marketers understand the real significance of a *strategic* marketing plan as opposed to a *tactical*, or operational marketing plan ... Most managers prefer to sell the products they find easiest to sell to those customers who offer the least line of resistance. By developing short-term, tactical marketing plans first and then extrapolating them, managers merely succeed in extrapolating their own shortcomings.

Two key themes recur frequently in the extensive work done by Malcolm McDonald, Europe's leading expert on marketing planning. First, that strategic marketing makes a difference to company performance; second, that the level of understanding of strategic marketing is low among practising marketing managers. It follows from McDonald's analysis that an understanding of strategic marketing can create a career edge for the aspiring marketing practitioner.

WHAT IS STRATEGIC MARKETING?

According to the Chartered Institute of Marketing, marketing is the management process which identifies, anticipates and supplies customer requirements effectively and at a profit. Baker (1992, p. 20, emphasis in original) argued that marketing:

is concerned with the *establishment of mutually satisfying exchange relationships in which the judgements as to what is satisfying depend upon the perception of the parties to the exchange.*

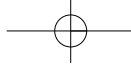
A great deal of practical marketing concerns the day-to-day tasks of ensuring that the product or service, as it currently exists, is delivered successfully to existing customers. Indeed, the day-to-day pressures of achieving this can very easily drive out of the heads of managers any concern for the products, services and customers of the day after tomorrow. Yet, as we all know, consumer tastes can easily change, and wider conditions affecting marketing success – such as competitors, government regulation and the state of the national economy – seldom stay the same for long. Strategic marketing is concerned with identifying changes in the market and the business environment, and then ensuring that the firm is well prepared to meet them. It involves looking beyond the day-to-day marketing battleground, reflecting upon the key changes that lie ahead and deciding how the firm will respond to them. However easy this may sound in principle, many firms, particularly small and medium-sized enterprises (SMEs), find it difficult to put into practice (McDonald, 1989; Lancaster and Waddelow, 1998).

Jain (2000) identified the salient features of strategic marketing:

- ▶ *Emphasis on long-term implications.* Since strategic marketing decisions take a long-term perspective, this makes it more likely that changes in the external business environment will affect such decisions. That is why monitoring the business environment is such a central element of strategic marketing planning.
- ▶ *Corporate inputs.* Day-to-day tactical marketing decisions can often be made without reference to the broader activities of the firm. Strategic marketing decisions have much wider-reaching implications, and so require a whole-firm perspective. Jain suggests that in making strategic marketing decisions, managers need to consider the corporate culture, the corporate stakeholders and corporate resources.
- ▶ *Varying roles for different products/markets.* Strategic marketing means looking at the whole of a company's portfolio of products and markets, and managing the portfolio to achieve the company's overall goals. The result could be that decisions are made not to invest in certain products or markets in order to release resources to be invested elsewhere in the portfolio, where the opportunities are judged to be greater.

Lambin (1997, pp. 8–10) differentiated between *strategic marketing* and *operational marketing*. The role of strategic marketing is to 'lead the firm towards attractive economic opportunities; that is, opportunities that are adapted to its resources and know-how and offer a potential for growth and profitability'. On the other hand, operational marketing 'is an action-oriented process which is extended over a short- to medium-term planning horizon and targets existing markets and segments'. In other words, operational marketing (which is synonymous with tactical marketing) is concerned with doing what we already do as effectively and efficiently as we can. Strategic marketing is concerned with identifying important changes taking place in the market and in the business environment, and working out how the organisation should respond.

A brief digression at this point is worthwhile to look at the distinction between effectiveness and efficiency. In everyday language the two words mean roughly the same thing. In the language of marketing, however, they are used to differentiate two distinct concepts. A simple definition of effectiveness would be 'doing the right things'.



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For example, to be effective a marketing organisation must have a portfolio of products and services that are well designed to meet the needs of the market. A simple definition of efficiency is 'doing things right'. For example, to be efficient a marketing organisation must monitor the performance of the sales force against target, and take corrective action where underperformance is detected. It is quite possible to be effective but inefficient – for example, to have a poorly motivated or poorly trained sales force trying to sell an excellent portfolio of products. It is equally possible to be efficient but ineffective – for example, to have an excellent customer service department delivering exemplary speed of response to customer enquiries, but to have a poor product range. Naturally, marketing organisations will aim to be both efficient and effective, since long-term survival is threatened by the absence of either. As we will see in the chapters that follow, the principal realm of strategic marketing is marketing effectiveness. The main job of the marketing strategist is to make sure that the organisation is 'doing the right things'. However, even when developing marketing strategy it would be foolhardy to neglect issues of efficiency. Certainly, when conducting a strategic audit (see Chapter 6), the relative efficiency of one's own marketing operations compared with key competitors will be an important consideration. It remains the case, though, that strategic marketing is primarily concerned with marketing effectiveness.

➔ WHAT IS THE DIFFERENCE BETWEEN PLANNING AND FORECASTING OR BUDGETING?

Many authors in the field of strategic market planning emphasise the gulf that separates planning from forecasting and budgeting. It is a common misconception that a forecast and budget constitutes a 'business plan'. The forecast projects demand for the organisation's products and services and can be used, with the addition of pricing assumptions, to project revenues (since revenue is the product of sales volume and price). The budget is a projection of the direct and indirect costs that the business expects to incur based on the sales forecasts. Both the forecast and the budget *are* a proper part of the marketing planning process – it is essential to have a forecast and a budget for at least the next 12 months as a component of the marketing plan itself. However, the forecast and budget are not a substitute for the full plan and the planning process underlying it. The sales forecast and budget are the logical consequence of the planning process. After a careful analysis of the business environment, of market and competitive trends, and a process of matching the resources of the firm to those trends resulting in broad statements of marketing strategy, then it makes sense to think in terms of concrete sales forecasts and their budgetary consequences.

➔ HOW DOES STRATEGIC MARKETING FIT WITH CORPORATE STRATEGY?

Corporate strategy is concerned with an organisation's basic direction for the future: its purpose, its ambitions, its resources and how it interacts with the world in which it operates.

Every aspect of the organisation plays a role in this strategy – its people, its finances, its production methods and its environment (including its customers). (Lynch, 2000, p. 5)

It is quite easy to confuse strategic marketing and corporate strategy. Both are concerned with big decisions – taking effect over a long period, having considerable



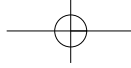
resource implications, being made by top managers. However, strategic marketing is concerned with a narrower range of decisions than strategic management and is focused at the level of *business unit* or *competitive strategy*, rather than at the corporate level. Lynch (2000) explained the broader nature of corporate strategy in terms of six key points:

1. Corporate strategy involves the entire organisation.
2. Corporate strategy is likely to concern itself with the survival of the business as a minimum objective and the creation of value added as a maximum objective.
3. Corporate strategy covers the range and depth of the organisation's activities.
4. Corporate strategy directs the changing and evolving relationship of the organisation with its environment.
5. Corporate strategy is central to the development of sustainable competitive advantage.
6. Corporate strategy development is crucial to adding value.

Strategic marketing management shares several of these characteristics. In particular the development of sustainable competitive advantage is central to strategic marketing, and there is a very strong case that strategic marketing is crucial to adding value (see Chapter 6 and Doyle (2000) on value-based marketing). However, strategic marketing does not involve the entire organisation, nor does it cover the full range and depth of the organisation's activities. The focus of strategic marketing is on products, markets and the management of relationships with customers, both actual and potential. Of course, it can be argued that customers are so important to the organisation that all strategic decisions should spring from an understanding of customer wants and needs, and therefore from a marketing perspective. This is a powerful argument. Nevertheless, many important strategic decisions – for example the balance between debt and equity financing, sources of supply for critical inputs to the production (or service delivery) process, the recruitment and retention of key staff – are rather remote from strategic marketing. Such issues are proper considerations for corporate strategy.

SUMMARY

'Strategy' is arguably an overused word. In marketing terms, its use should be restricted to important decisions that will have a major effect on the future of the organisation. Strategic marketing decisions are concerned primarily with ensuring the effectiveness of the marketing organisation in the competitive struggle. Effectiveness is about 'doing the right things', whereas efficiency is about 'doing things right'. Corporate strategy is a broader concept than strategic marketing, incorporating, for example, issues to do with finance, human resources and manufacturing or service operations, as well as marketing matters. Forecasting and budgeting are logical components of the strategic market planning process, but should not be taken for the process itself.

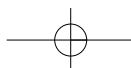


QUESTIONS FOR DISCUSSION

1. What distinguishes strategic business decisions from tactical business decisions?
 2. What is meant by competitive strategy, and how does it differ from corporate strategy?
 3. What are the key characteristics of strategic marketing?
 4. What is a 'forecasting and budgeting' approach to marketing planning, and how would you differentiate it from strategic marketing?
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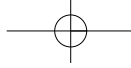
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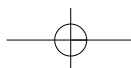
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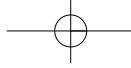
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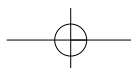
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