Fundamentals of Marketing

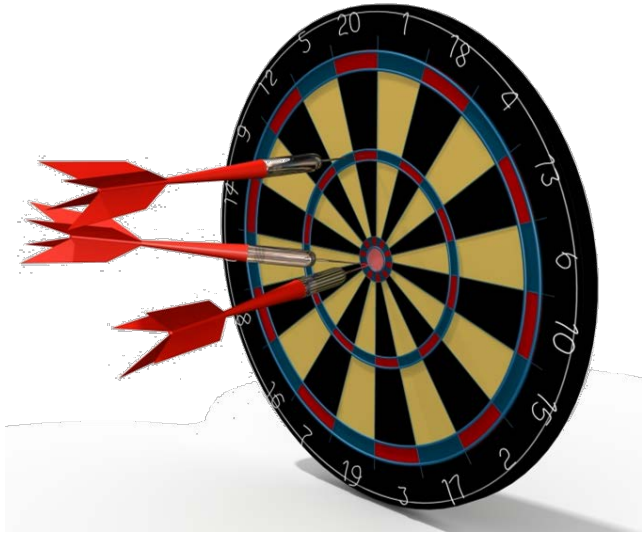
Instructor's Handouts

Chapter 5

Marketing Strategy

Chapter Objectives

- To define the concept of marketing strategy
- To establish the aims of planning in marketing strategy.
- To define the elements in marketing and the marketing-mix to implement strategic actions
- To analyse the types of strategies



5.1 The Concept of Strategy

- Strategy is any specific action carried out to reach any proposed objective.

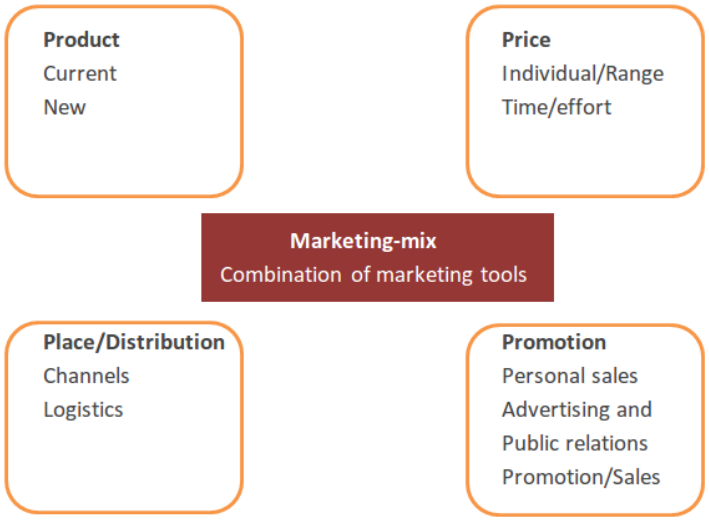
- It tries to develop sustainable competitive advantages in products, markets, resources or capacities, make them to be perceived as such by potential customers and that allow for the reaching of the set objectives.

5.2 Developing strategic actions: the Marketing-mix

- To obtain a competitive advantage in a product it is necessary to start from a concept of the product based on the need is it meets and not on the specific product or service offered features.

- A differentiation that simply consists in higher or lower prices than the competition, that, in turn, is not justified by providing different services or quality may lead to a drop in earnings or a price war that benefits no-one.

- A company may also obtain an adequate differentiation through promotion/communication which will provide it with a competitive advantage.



5.3 Types of Marketing Strategies

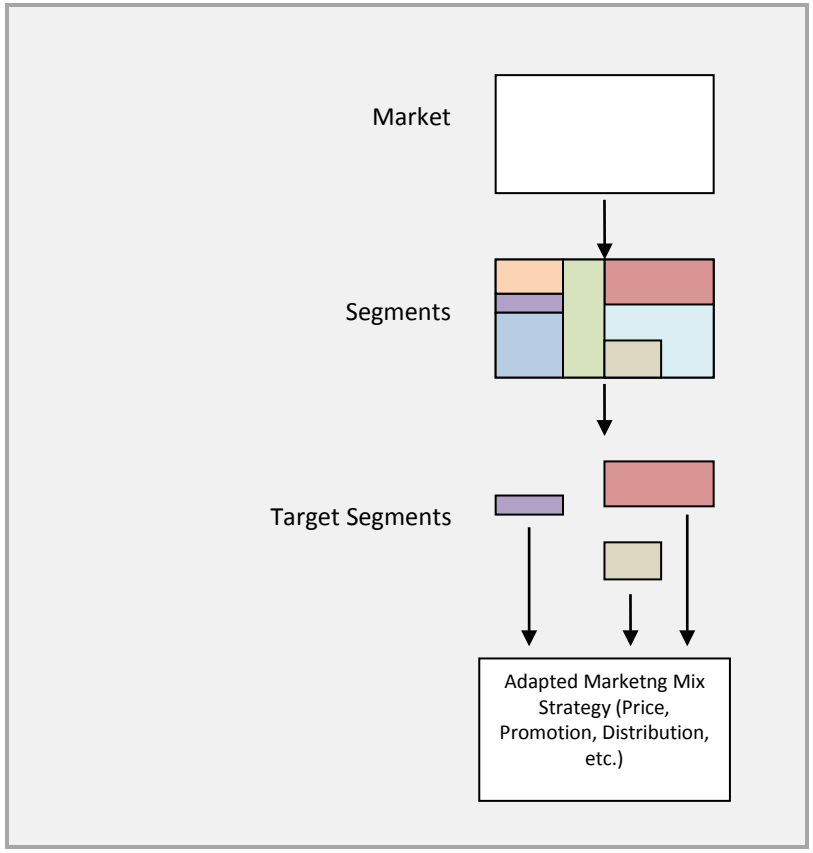
- There are different ways to reach the established objectives. There are four basic types of strategies:
  - Growth strategies
  - Segmentation strategies
  - Positioning strategies
  - Competitive strategies

5.3 Growth Strategies

- Growth strategies define the different ways a company can grow in a market.
- The Ansoff matrix (1965) also called product-market matrix, has been since the sixties the tool that has best described the process.
- The matrix is the result of relating an axis of products with another axis of markets.

5.4 Segmentation Strategies

- Segmentation strategies are a key in the competitive development of a company.
- They require a deep knowledge of consumers, as well as the distinguishing features that define them.
- When the market has been segmented, every company must make a difficult decision, deciding which of these segments is going to become a target segment or target group.



5.5 Positioning Strategies

- The questions to be addressed in the choosing of a positioning are the following:
  - What are the distinctive features of a product that make consumers react favourably?
  - How the different brands that are competing are perceived in view of these distinctive features?
  - What are the distinctive features of a product that make consumers react favorably favourably?
  - How are the different brands that are competing are (creo que estaba bien en la traducción original) perceived in view of these distinctive features?

5.6 Competitive strategies

- Competitive strategies define how a company decides to face its competitors on the market.

- There are at least three useful and representative approaches to the different ways of acting for a company in this regard:

  - Porter's competitive strategies

  - Miles and Snow's strategies

  - Kotler's competitive strategies

5.6 Competitive strategies

- **M. Porter** defines three types of generic strategies:
  - **Focus strategy.** Through this strategy, the enterprise concentrates on certain market segments, in which it may have a competitive edge, in costs or differentiation.
  - **Cost strategy.** It consists in reaching the lowest costs through the large scale-production of non-differentiated products.
  - **Differentiation strategy.** It is the specialization of an enterprise in a certain aspect that will make it unique and be valued by the whole of the market. That is, it aims to achieve leadership in quality, technology, innovation, services, etc.

5.6 Competitive strategies

- Miles and Snow propose a typology of strategies based on the behaviour of the companies within an industry. They distinguish four types:

  - **Prospectors**. Enterprises which take a very aggressive new product approach relying heavily on innovation.
  - **Defenders**. The take a conservative approach in new product development and try to maintain a secure market position in a narrow segment. They frequently compete in price or quality but not in innovation.
  - **Analysers**. They represent an intermediate form of strategy. They try to keep a secure market, as do defenders, but they also look for new market positions through new product development, as do prospectors.
  - **Reactors**. They are defined by the absence of a well-developed plan to compete within the industry.

5.6 Competitive strategies

- Kotler classifies competitive strategies into four different types:

  - **Leader strategy.** The leader in a product-market is the one who has a dominant position that is recognized by its competitors. To protect its market share it may adopt a series of strategies: innovation, intensive distribution, open confrontation through a price war or advertising, etc.
  - **Challenger strategy.** The challenger is the one who does not dominate the product-market and wants to substitute the leader. In order to do this it tries to increase its participation in the market through aggressive strategies.
  - **Follower strategy.** The follower is a competitor with a reduced market share, who aligns their decisions along with those of the competition. It does not attack the leader, but rather it coexists with it to have a share of the market.
  - **Nicher strategy.** The nicher is a small enterprise that concentrates on one or few segments, but not on the whole market. It is after a “niche”, or small market segment, in which it can have a dominant position and not be attacked by the competition.

5.4 Assessment of the Marketing Strategy

- **Adequacy**. The strategy must respond affirmatively if it develops a competitive advantage or improves the current one, if it takes advantage of opportunities and limits risks and if it maintains or improves company image.

- **Validity**. It is valid if it is realistic with the environment and the competition and the forecasts can be accepted.

- **Consistency**. There must be alignment between the objectives and the strategies and the different elements of the strategy.

- **Feasibility**. It implies considering the necessary resources, as well as the acceptance by those responsible to put them into practice.

- **Weakness**. One must foresee the potential risks the strategy faces in the environment as in the plan's failure.

- **Potential results**. There must be a minimum mark set by the company regarding profitability and market penetration.