STRATEGIC MARKETING PART 2

What is Strategic Intent?

- Vision + Intent

Where we want to get to

How we intend to get there

Definition Strategic Intent

"Strategic intent is defined as a compelling statement about where an organization is going that succinctly conveys a sense of what the organization wants to achieve long-term."

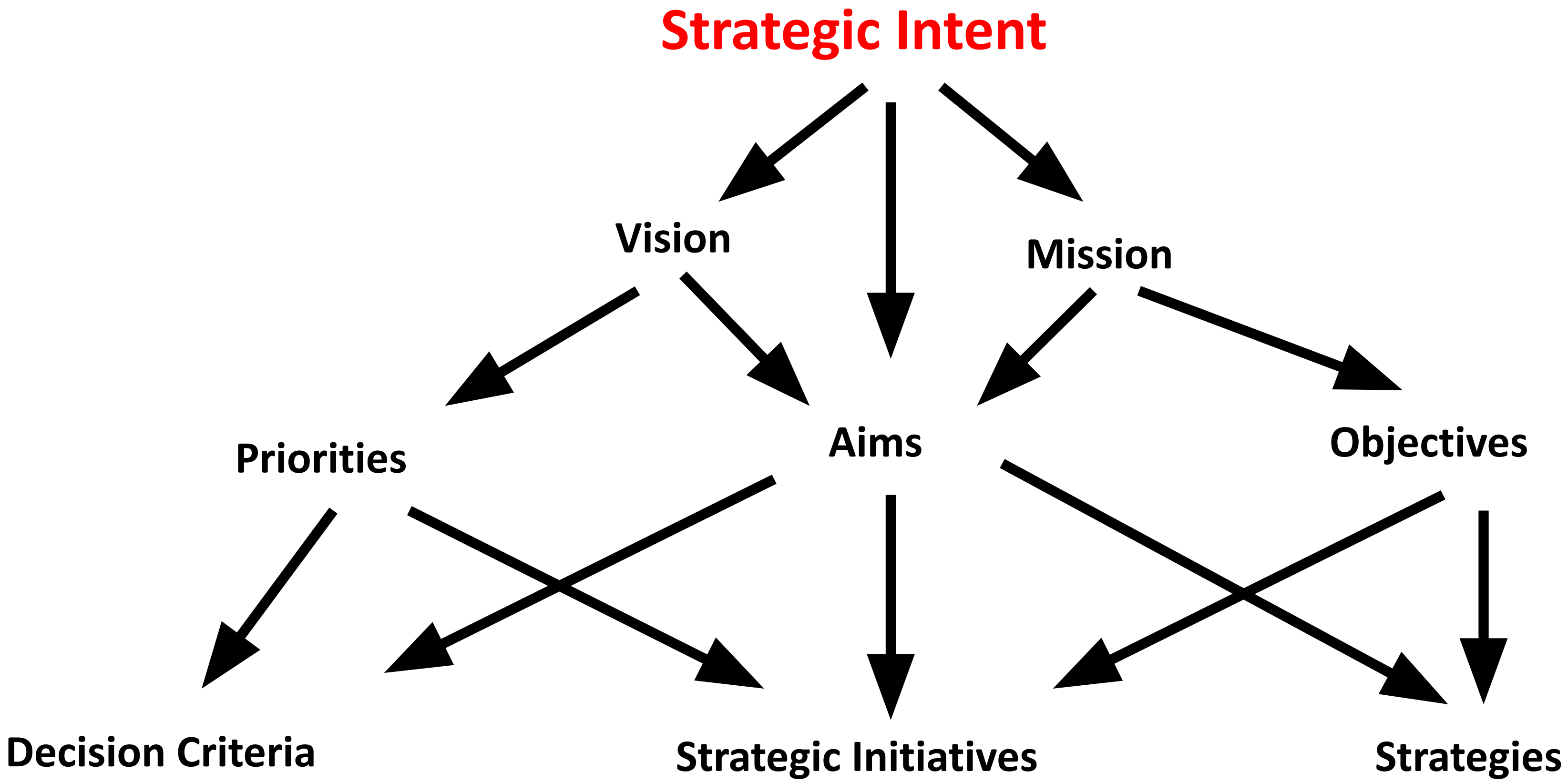
Characteristics of strategic intent

According to Hamel and Prahalad, strategic intent captures the essence of winning, it is stable over time, and it sets a target that deserves personal effort and commitment. Strategic intent goes beyond simply copying what competitors are doing.

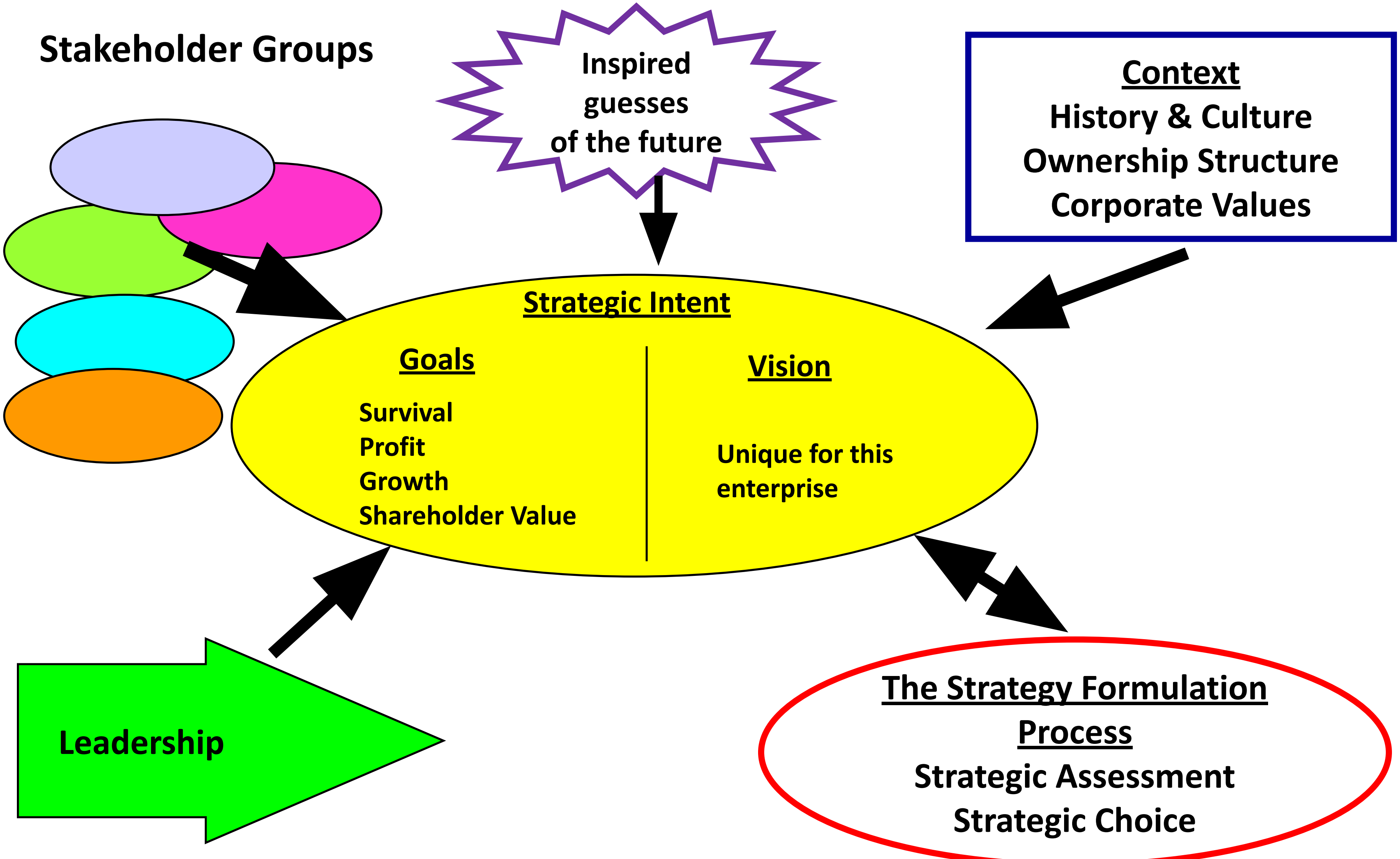
How does a company foster personal effort and commitment?

According to **Hamel** and **Prahalad**, top management must first create a sense of urgency and then develop a competitor focus at every level through widespread use of competitive intelligence. Leadership must also provide employees with the skills they need to work effectively and not try to pursue too many challenges at one time.

The Pyramid of Purpose
The language of Strategic Intent



Influences on Strategic Intent



Model for analysing stakeholder power

Extent of Power	Low	High
High	Avoid annoying	Consult and Involve
Low	Least important	Inform

Inclination to exercise power

Influence On Organzation's mission and Objectives

Corporate Governance

- Whom should the organization serve
- Accountability and regulatory framework

Stakeholders

- Whom does the organization serve
- Balance of power and Influence of various stakeholders

Mission Objectives

Business Ethics

- Social Responsibility
- Expectations of individuals' ethical behaviour

Cultural Context

- What aspects of the Mission are prioritize?
- Influence of the cultural environment

Goals vs. Objectives

GOALS	OBJECTIVES
Very short statement, few words	Longer statement, more descriptive
Broad in scope	Narrow in scope
Directly relates to the Mission Statement	Indirectly relates to the Mission Statement
Covers long time period (such as 10 years)	Covers short time period (such 1 year budget cycle)

Examples of Goals

Reorganize the entire organization for better responsiveness to customers

We will partner with other businesses, industry leaders, and government agencies in order to better meet the needs of stakeholders across the entire value stream.

Manage our resources with fiscal responsibility and efficiency through a single comprehensive process that is aligned to our strategic plan.

Improve the quality and accuracy of service support information provided to our internal customers.

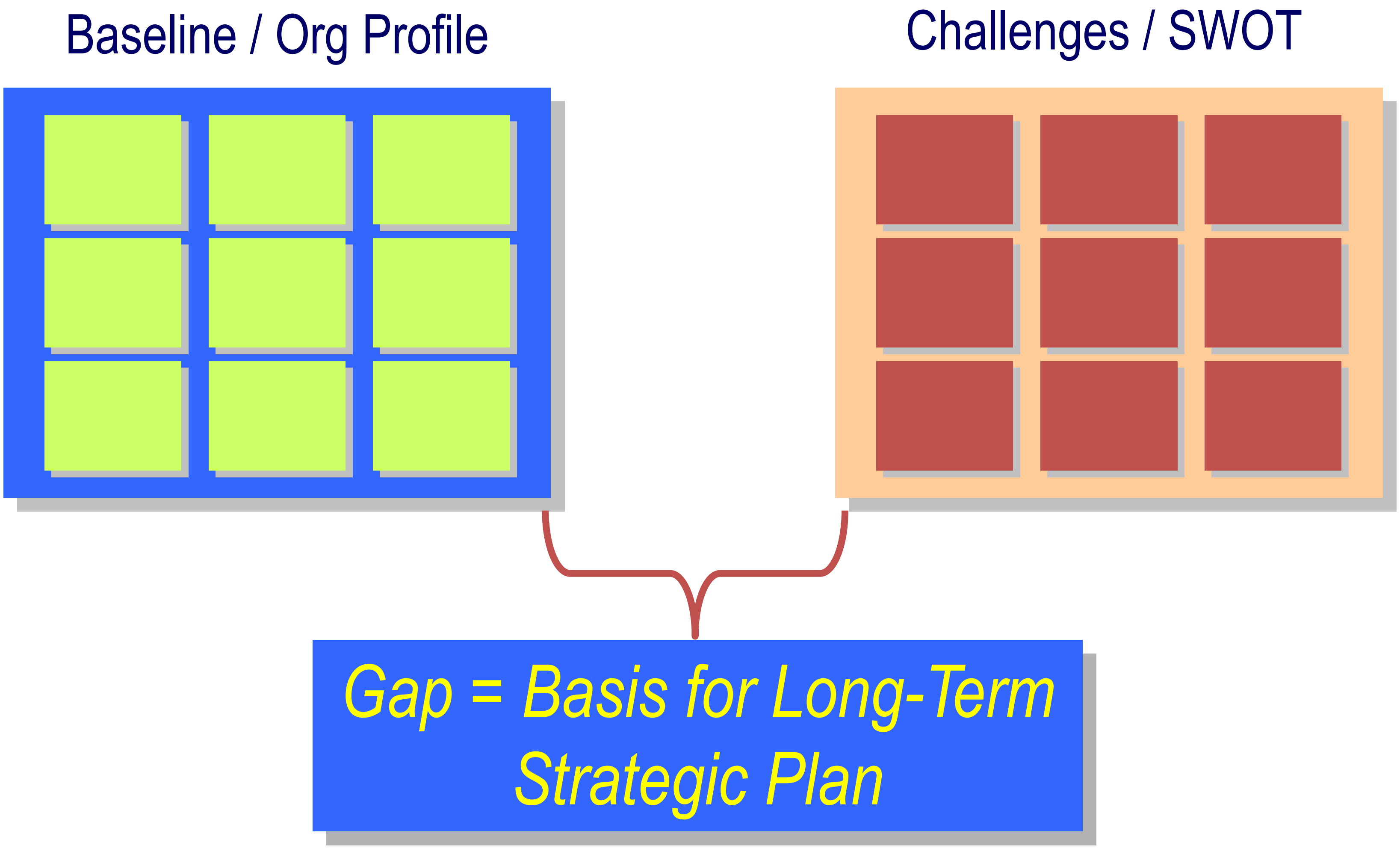
Establish a means by which our decision making process is market and customer focus.

Maintain and enhance the physical conditions of our public facilities.

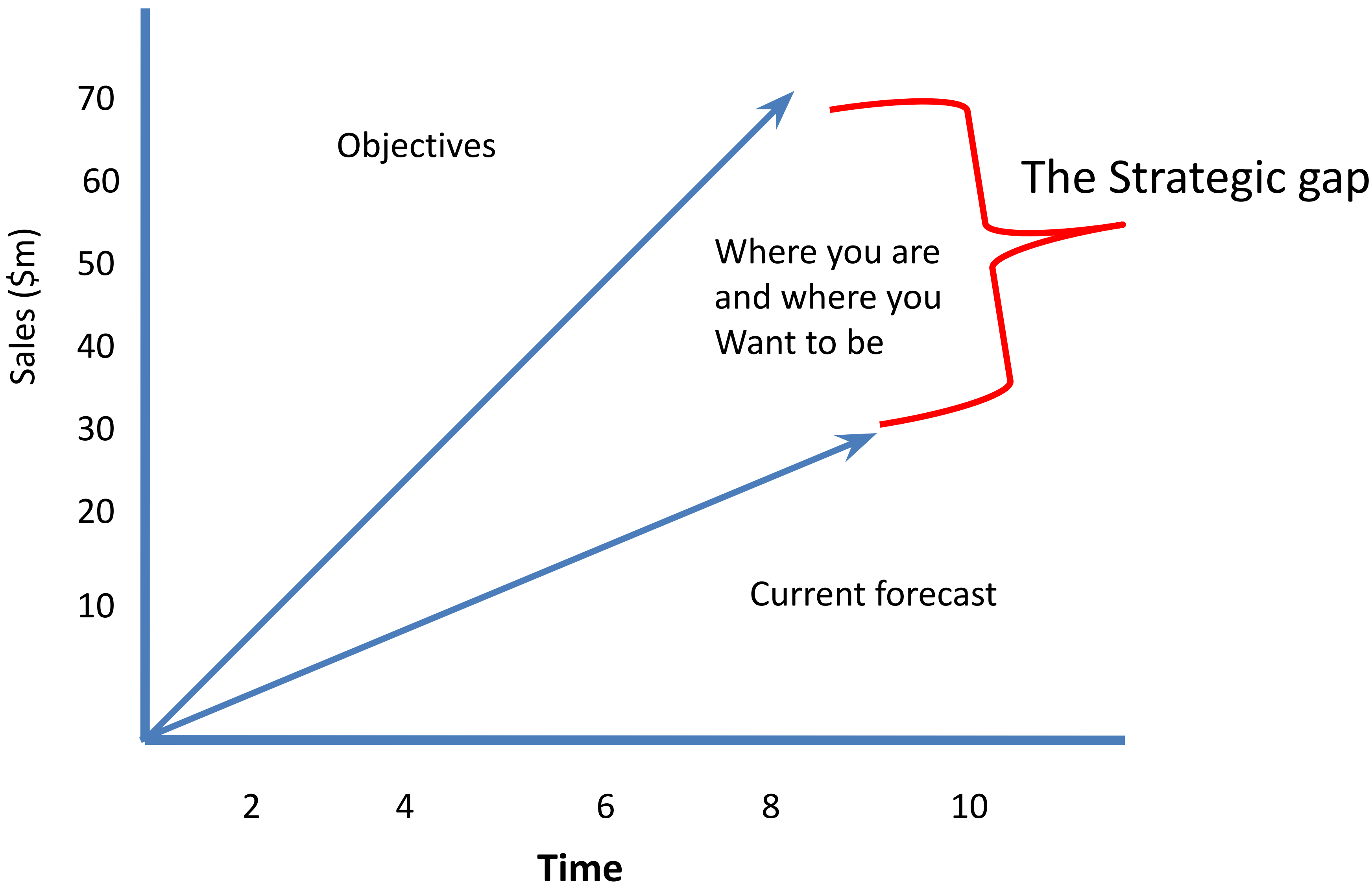
Objectives

- Relevant - directly supports the goal
- Compels the organization into action
- Specific enough so we can quantify and measure the results
- Simple and easy to understand
- Realistic and attainable
- Conveys responsibility and ownership
- Acceptable to those who must execute
- May need several objectives to meet a goal

Gap Analysis



Gap Analysis



Gap Analysis

- Gap Analysis is a strategic planning tool to help you understand where you are, where you want to be and how you're going to get there.
- Decide the topic you're going to do the Gap Analysis on? This is the challenge you're trying to tackle.

Gap Analysis Steps

Topics:

- Revenue; Profit; Market Share; Product Functionality/Features

Identify where you are right now based on metrics or attributes

Market Share- Present 10% of the market

Identify where you'd like to be over a specific time frame?

Market Share — Like to have 25% of a particular market by 2013

Identify the gap between where you are and where you want to be.

Market share — The gap is 15% market share by 2013

Determine how the gap should be filled

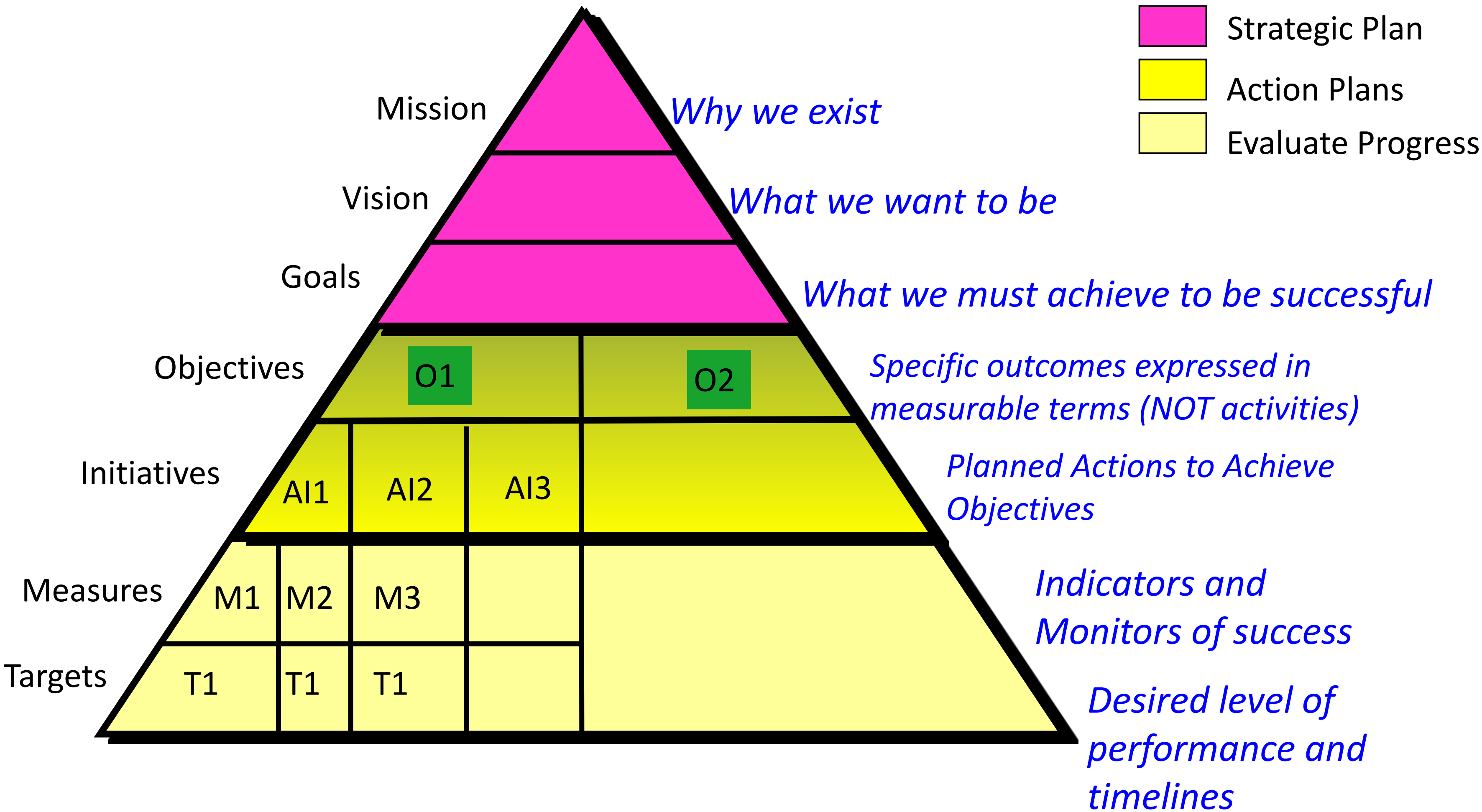
Filling the Gaps

SWOT Analysis

Fishbone analysis:

- Manpower — The people resources you need
- Methods — The processes you need
- Metrics — The measurements you need.
- Machines — The technology you need.
- Materials — The material items (such as physical goods or marketing collateral) you need.
- Minutes— The time required.

Major Components of the Strategic Plan / Action



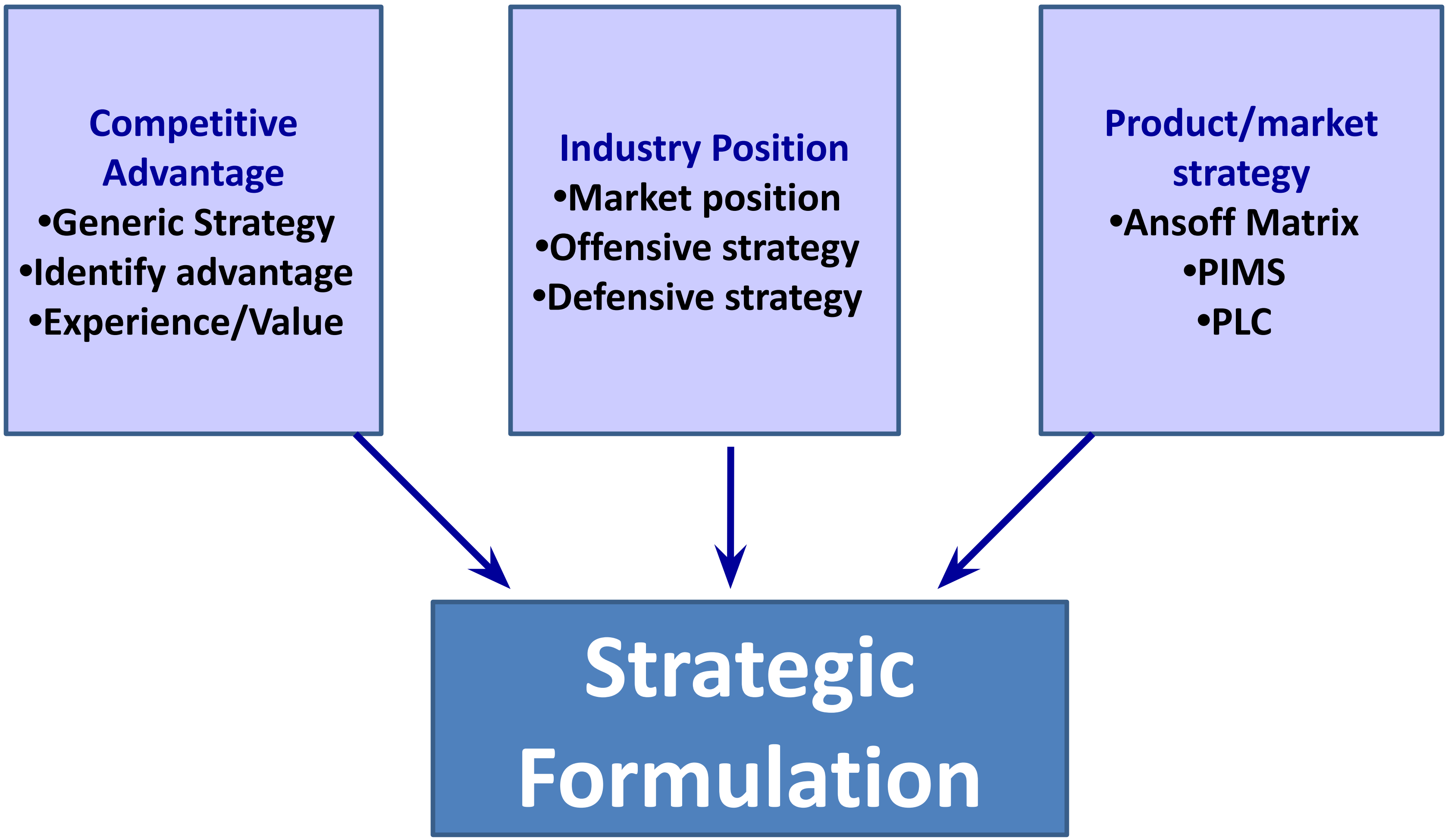
Strategic Planning Model

A B C D E

Where we are ***Where we want to be*** ***How we will do it*** ***How are we doing***

Assessment	Baseline	Components	Down to Specifics	Evaluate
• *Environmental Scan*	• *Situation – Past, Present and Future*	• *Mission & Vision*	• *Performance Measurement*	• *Performance Management*
• *Background Information*	• *Significant Issues*	• *Values / Guiding Principles*	• *Targets / Standards of Performance*	• *Review Progress – Balanced Scorecard*
• *Situational Analysis*	• *Align / Fit with Capabilities*	• *Major Goals*	• *Initiatives and Projects*	• *Take Corrective Actions*
• *SWOT – Strength's, Weaknesses, Opportunities, Threats*	• *Gaps*	• *Specific Objectives*	• *Action Plans*	• *Feedback upstream – revise plans*

The Formulation of Strategy



PORTER’S GENERIC STRATEGIES

Target Scope	*Advantage*	
	Low Cost	**Product Uniqueness**
Broad (Industry Wide)	**Cost Leadership Strategy**	**Differentiation Strategy**
Narrow (Market Segment)	**Focus Strategy** (low cost)	**Focus Strategy** (differentiation)

PORTER'S GENERIC STRATEGIES

- Companies can achieve competitive advantages essentially by differentiating their products and services from those of competitors and through low costs.
- Three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus.

  The focus strategy has two variants, cost focus and differentiation focus.

PORTER'S GENERIC STRATEGIES

- **Cost Leadership**: In cost leadership, a firm sets out to become the low cost producer in its industry.
- **Differentiation**: In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers.

PORTER'S GENERIC STRATEGIES

- **Focus:** The generic strategy of focus rests on the choice of a narrow competitive scope within an industry.

The focus strategy has two variants

a) In cost focus a firm seeks a cost advantage in its target segment, while in

b) differentiation focus a firm seeks differentiation in its target segment.

Are you 'Stuck in the Middle'

Identify Advantage

Competitive Advantage- Sustainability

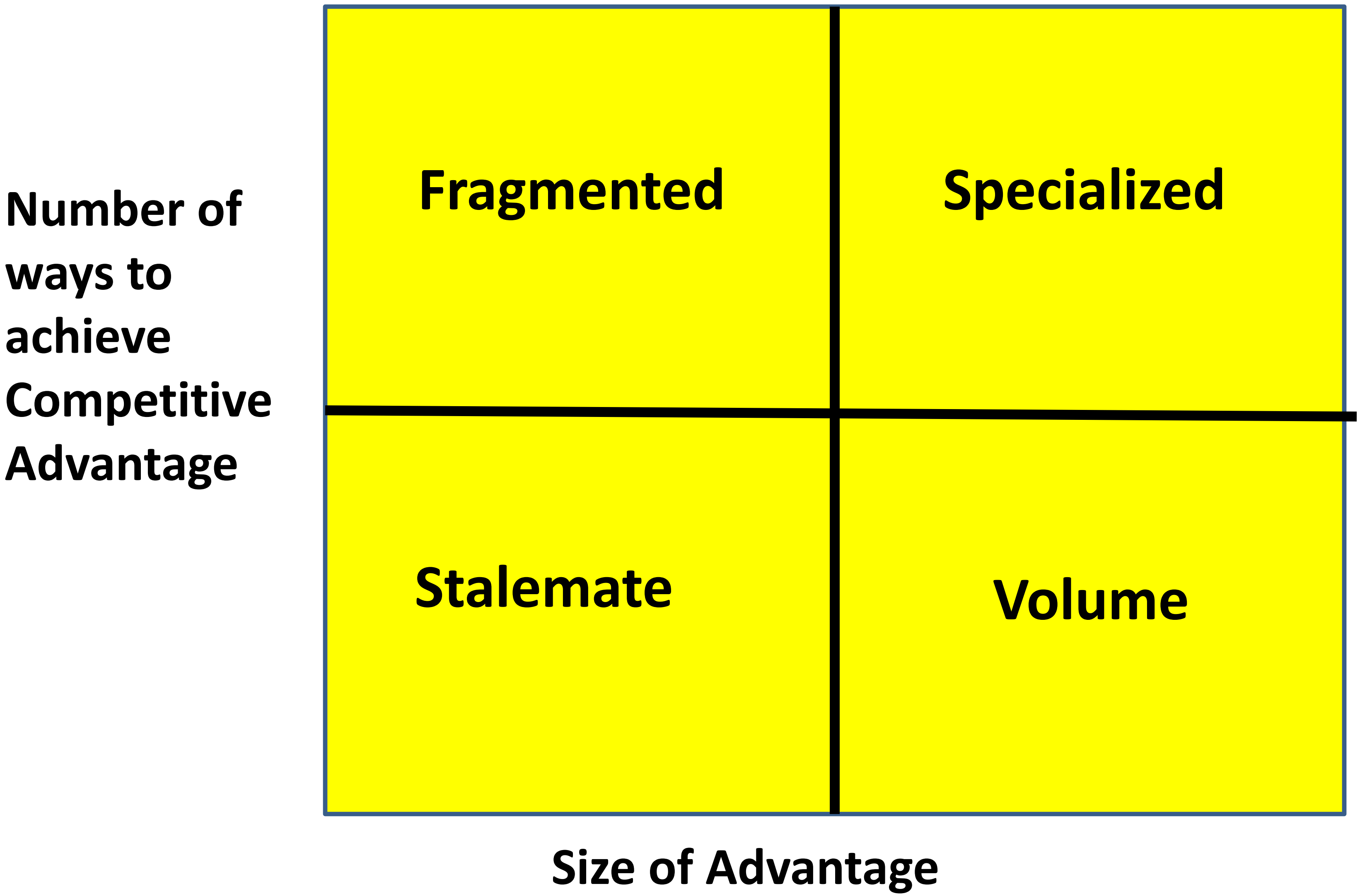
In order to be sustainable the CA must be:

- **Relevant**- Appropriate to current and future market needs. Must be relevant to organisation achievable within the available resource base
- **Defensible**- There must be barriers to replication or success will be duplicated by competitors.

Barriers tend to be:

1. Asset based- location, plant, machinery etc. Tangible
2. Skills based- skills and resources required to make optimum use of the assets (quality management, brand development, product design etc)

BCG Strategic Advantage Matrix



Source: BCG (Hooley *et al., 1998*

BCG Strategic Advantage Matrix

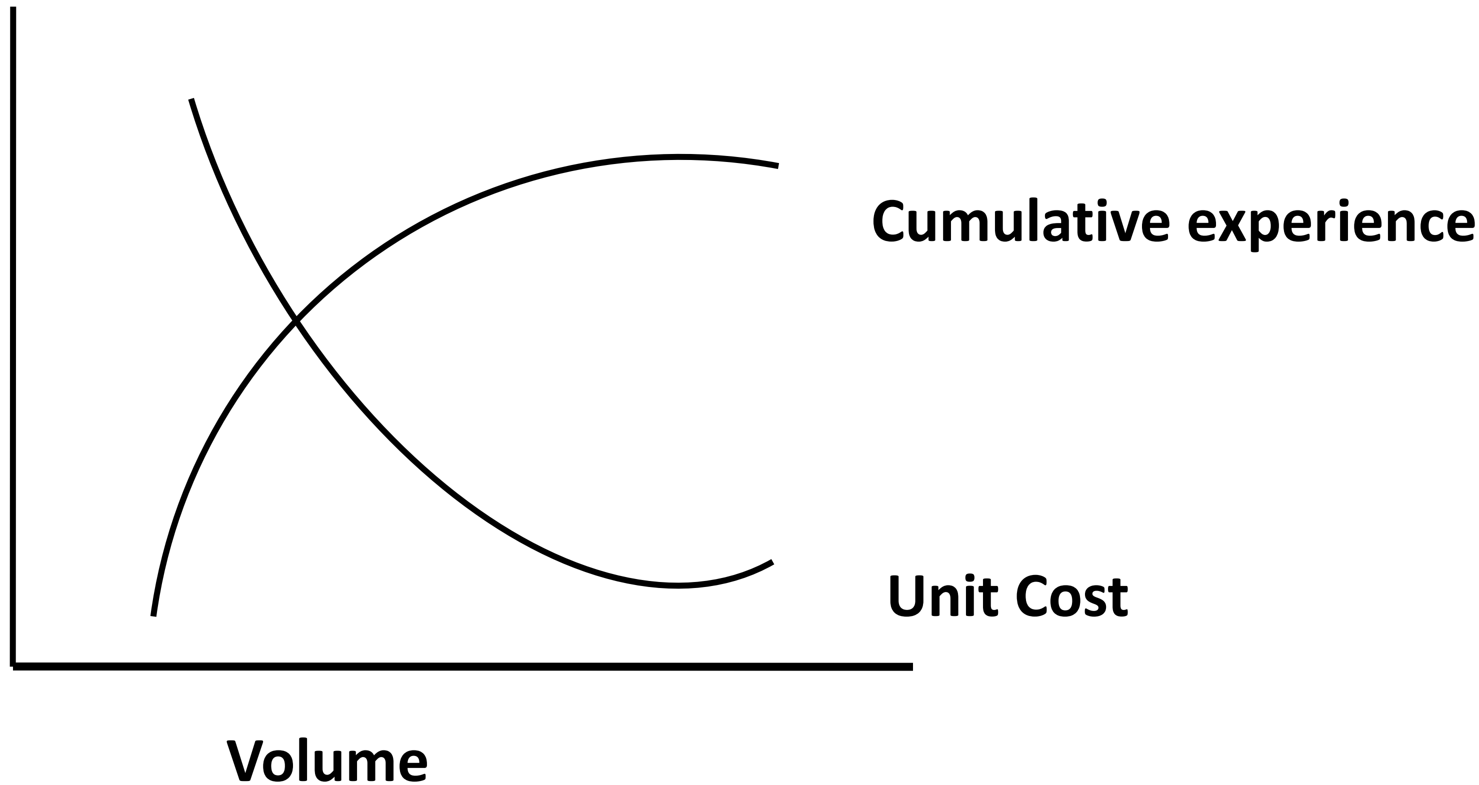
Stalemate Industries: Potential for CA is limited. Technological advances are adopted by players. Mature industry. Frequent design changes, commodity type products (eg: manufacturing desktop computers)

Volume Industries: Few but highly significant CA exists. Capital intensive industries. Dominated by few large players with economies of scale (eg: volume car manufacture)

Fragmented Industries: Market needs are less well defined. Niche players and profitability may not be linked directly to size. Organisation grow by offering range of Niche products to different segments (eg: computer software).

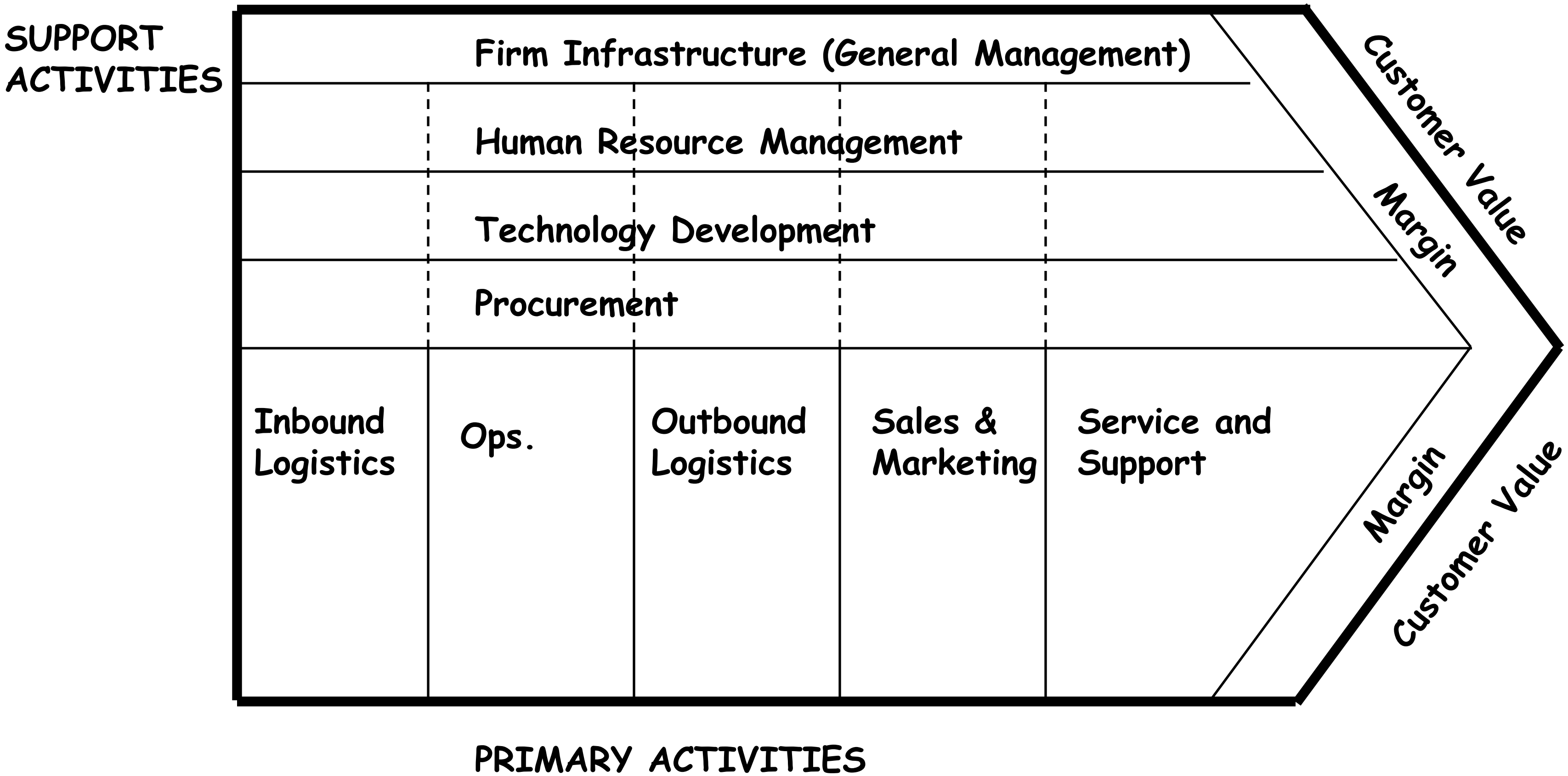
Specialized industries: Advantage of differentiation. Profitability and size are not always related. Customised solutions to specific problems (eg: management consultancy)

Experience And Value Effects



Experience curve is a pattern of Decreasing cost as a result of cumulative experience of carrying out an activity or function

Value Chain Model



Value Chain and the QCT Triangle

- VC allows alignment of processes with customers. This generates a ***quality*** advantage.
- VC focuses ***cost*** management efforts.
- VC provides for efficient processes which improves the ***timeliness*** of operations.

Value Chain Benefits

- Identifies value processes
- Identifies areas for cost improvement

Goal of Value Chain

- Driven by customer perceptions
- Increase margins
- Focus on value processess
  - Distinctive capabilities
  - Cost advantages
- Some examples
  - Southwest Airlines
  - Intel Corporation

Discovering Your Own Value Processes

- Distribute a ***summary*** of the value chain model.
- Create functional ***process lists***.
- Transfer lists to color-coded ***labels***.
- ***"Pin the process"*** on a large VC diagram.
- ***Identify*** appropriate processes as:
  - $ (cost advantage)
  - CC (core competency)

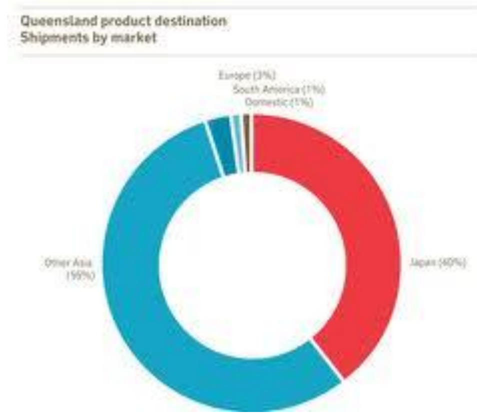
Using the Value Chain

- Helps you to stay out of the “No Profit Zone”
- Presents opportunities for integration
- Aligns spending with value processes
- Provides for reconfiguration of the value chain
  - outsourcing
  - off-shoring
  - co-location with customers or suppliers
  - redesign for efficiency
- Involves chain partners: customers & suppliers

Value Chain and the TBC Triangle

- **Technical:**
  - Increases knowledge of no profit zones
  - Increases knowledge of forward and/or backward integration opportunities
  - Identifies value processes
  - Identifies win-win alliance opportunities
- **Behavioral:**
  - Focus shifts to “the customer”
  - Focus shifts from conflict to partnering with customers & suppliers
- **Cultural**
  - Creates externally focused mindset
  - Generates information sharing environment with respect for confidentiality

Industry Position



Market Position:

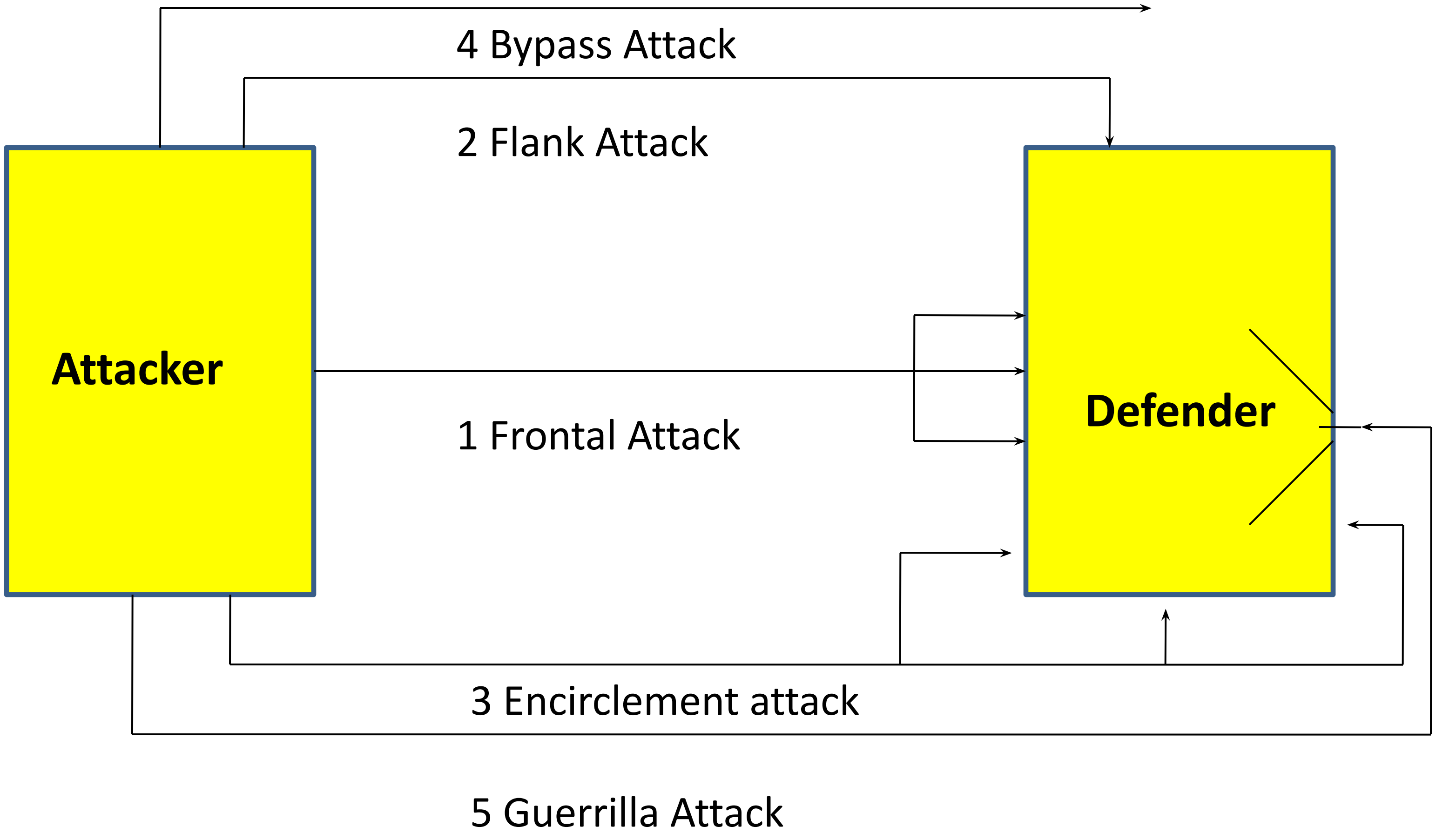
Market leaders- Strategies: market expansion, Offensive Strategy, Defensive Strategy

Market Challengers- Strategies: Selective targeting, Attack the leader

Market followers- Strategies: Duplication, Adaptation

Market Nichers- Strategies: Focus, product line specialisation

Offensive and Defensive Strategies



Source: Kotler *et al.,* 1999

Frontal Attack

- Seldom work <u>unless</u>
  - The challenger has sufficient fire-power (a 3:1 advantage) and staying power, and
  - The challenger has clear distinctive advantage(s)
- e.g. Japanese and Korean firms launched frontal attacks in various ASPAC countries through quality, price and low cost

Flank Attack

- Attack the enemy at its weak points or blind spots i.e. its flanks
- Ideal for challenger who does not have sufficient resources
- e.g. In the 1990s, Yaohan attacked Mitsukoshi and Seibu’s flanks by opening numerous stores in overseas markets

Encirclement Attack

- Attack the enemy at many fronts at the same time
- Ideal for challenger having superior resources
- e.g. Seiko attacked on fashion, features, user preferences and anything that might interest the consumer

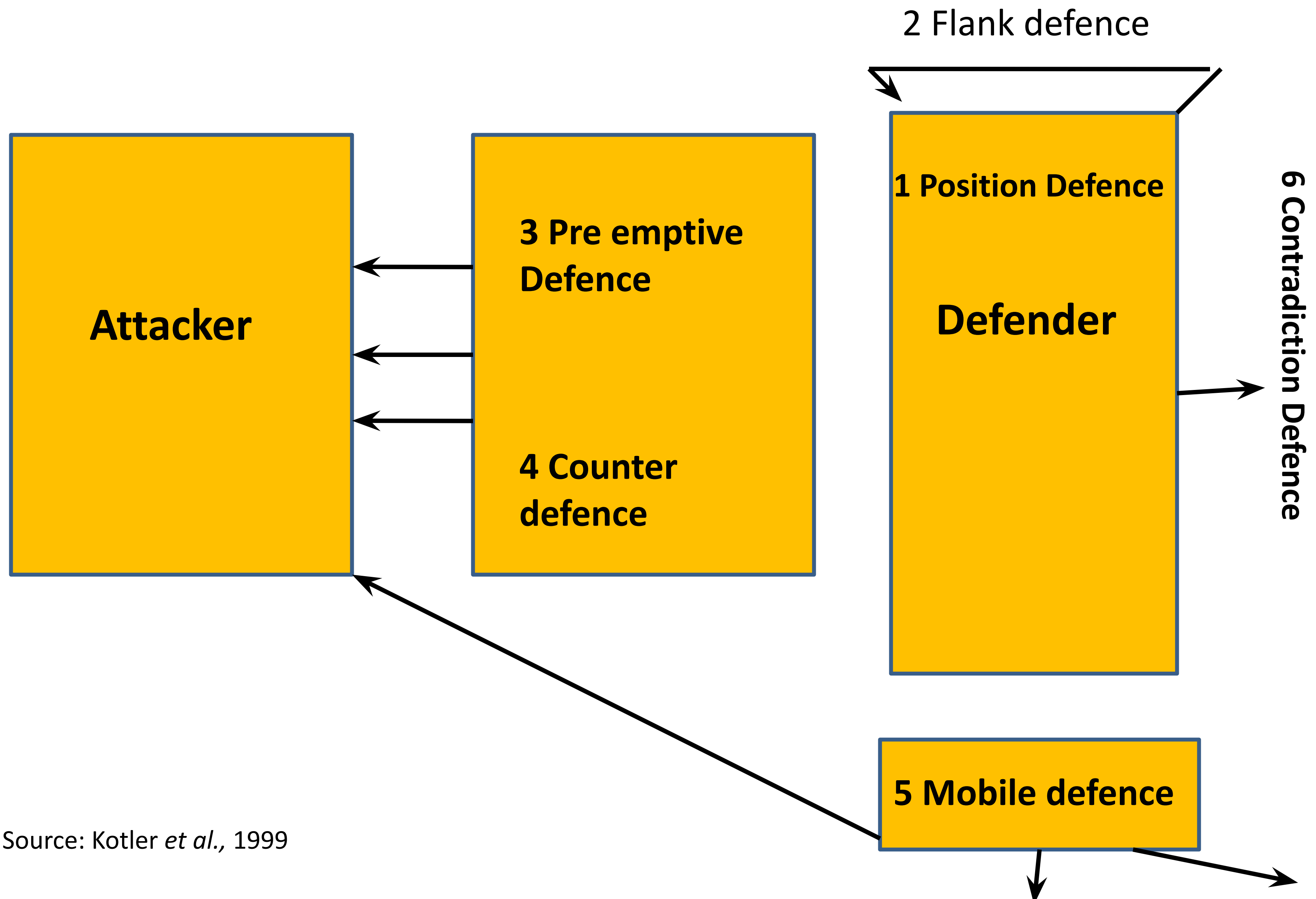
Bypass attack

- By diversifying into unrelated products or markets neglected by the leader
- Could overtake the leader by using new technologies
- e.g. Pepsi use a bypass attack strategy against Coke in China by locating its bottling plants in the interior provinces

Guerrilla Attack

- By launching small, intermittent hit-and-run attacks to harass and destabilize the leader
- Usually use to precede a stronger attack
- e.g. airlines use short promotions to attack the national carriers especially when passenger loads in certain routes are low

Defensive Strategy



Source: Kotler *et al.,* 1999

Position Defense

- Least successful of the defense strategies
- “A company attempting a fortress defense will find itself retreating from line after line of fortification into shrinking product markets.” Saunders (1987)
- e.g. Mercedes was using a position defense strategy until Toyota launched a frontal attack with its Lexus.

Mobile Defence

- By market broadening and diversification
- For marketing broadening, there is a need to
  - Redefine the business (principle of objective), and
  - Focus efforts on the competition (the principle of mass)
- e.g. Legend Holdings, the top China PC maker Legend has announced a joint venture with AOL to broaden its business to provide Internet services in the mainland

Flanking Defence

- Secondary markets (flanks) are the weaker areas and prone to being attacked
- Pay attention to the flanks
- e.g. San Miguel introduced a flanking brand in the Philippines, Gold Eagle, as a defense against APB’s Beerhausen

Contraction Defence

- Withdraw from the most vulnerable segments and redirect resources to those that are more defendable
- By planned contraction or strategic withdrawal
- e.g. India’s TATA Group sold its soaps and detergents business units to Unilever in 1993

Pre-emptive Defence

- Detect potential attacks and attack the enemies first
- Let it be known how it will retaliate
- Product or brand proliferation is a form of pre-emptive defense e.g. Seiko has over 2,000 models

Counter-Offensive Defence

- Responding to competitors’ head-on attack by identifying the attacker’s weakness and then launch a counter attack
- e.g. Toyota launched the Lexus to respond to Mercedes attack

PIMS Analysis

PIMS- Profit Impact of Market Strategy

They aim to identify the key drivers of profitability and have recognised the importance of market share as such driver