

# Strategic Marketing



David W. Cravens

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# **STRATEGIC MARKETING**

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### ***About the author . . .***

**David W. Cravens** holds the Eunice and James L. West Chair of American Enterprise Studies and is Professor of Marketing in the M. J. Neeley School of Business at Texas Christian University. Before joining TCU in 1981, he was Alcoa Foundation Professor of Business Administration, Head of the Department of Marketing and Transportation, Chair of the Management Science Program, and Professor of Marketing at the University of Tennessee. He holds a B.S. in Civil Engineering from M.I.T. and an M.B.A. and D.B.A. in Business Administration from Indiana University. He is a member of Beta Gamma Sigma, honorary business fraternity, the American Marketing Association, and the American Management Association.

Dr. Cravens' past positions include Director of Operations, Aerospace Research Applications Center, Indiana University, where he received the University's Distinguished Service Award; engineering and marketing management executive positions with International Systems and Controls, Inc., Oilfield Division; Installations Engineering Officer, U.S. Air Force Strategic Air Command; and consulting structural engineer for private industry.

As a teacher, researcher, writer, and consultant, Dr. Cravens serves business firms and other organizations in the areas of marketing strategy, sales management, new product planning, and marketing research. He is a frequent speaker at management development seminars and conferences for business executives. He has contributed over 100 articles and papers to professional journals, including *Management Science*, *Business Horizons*, *Transportation Journal*, *Management Review*, *Journal of Marketing*, *Journal of Retailing*, *Journal of Marketing Research*, *Journal of Applied Psychology*, *Technological Forecasting and Social Change*, and the *European Journal of Marketing*. He has served on the editorial boards of the *Journal of Marketing* and *Decision Sciences* and is a frequent contributor of papers at national meetings of these and other professional organizations.

Dr. Cravens is co-author of *Marketing Decision Making: Concepts and Strategy*, a graduate-level marketing management text, and co-editor of *Marketing Management Perspectives and Applications*, published by Richard D. Irwin, Inc.

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*To Sue and Karen*

# Preface

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Strategic planning is one of the most exciting and widely discussed topics in business practice today. Three influences have pushed strategic planning into the center of attention. The first and most important reason is *survival* of the enterprise. This is dramatically illustrated by examining corporate successes and failures during the 1970s. Along with the realization of strategic planning's crucial role in corporate success is the recognition of the central position of markets and marketing strategies in shaping strategic plans. Finally, the rapid and often violent changes we experienced in the 70s highlighted the need for formal planning approaches in order to anticipate change, to develop strategies to take advantage of opportunities, and to avoid threats. *Strategic Marketing* is about strategic planning and marketing. It emphasizes strategic marketing planning from the point of view of the enterprise rather than as a functional area of the business.

This book is designed for students and professionals. Looking at strategic planning from a marketing perspective, it moves beyond a traditional marketing management focus. The topics covered should be of interest to anyone seeking a greater exposure to strategic analysis and planning and the use of marketing strategies in executing business strategies. The book was developed for the capstone marketing, advanced marketing strategy, and executive development courses, particularly those which include coverage of strategic business planning. Executives in top management, strategic planning, finance, and marketing should find the covered topics of interest.

One of the most perplexing challenges facing the practice of strategic planning is that the planner needs several kinds of capabilities, notably marketing and finance in addition to basic planning skills. Interestingly, many corporations have filled the top strategic planning post with people having marketing backgrounds. We predict that during the next decade a new type of strategic planning professional will emerge, displaying a combination of capabilities in the use of planning tools, financial analysis, and strategic marketing



analysis and planning. Strategic marketing offers a useful umbrella for combining these capabilities.

The book is designed around a strategic marketing planning approach with a clear emphasis upon how to do strategic analysis and planning. A step-by-step approach to building a strategic marketing plan is developed in the first chapter, and each step is covered in subsequent chapters. Divided into four parts, the first examines corporate and marketing strategy. Next, market analysis and targeting are discussed. In Part 3, strategic marketing programming is covered. Finally, in Part 4 strategic marketing planning and control are considered. Numerous how-to guides are provided throughout the book to assist the reader in applying the analysis and planning approaches developed in the text. There is a strong emphasis upon application and many illustrations and applications are covered.

Strategic marketing planning is more than an art. During the last decade important advances were made in the application of methods of analysis. We have included several of the more promising analytical tools at appropriate points throughout the book. Concepts and methods for strategic analysis of business units, product-market definition, segmentation, positioning, and new product planning are illustrations of a wide variety of analysis and planning methods that are gaining significant acceptance throughout business and industry. With the slow growth rates projected for the 1980s and the increasing emphasis upon productivity, rapid adoption of formal analysis and planning methods will occur during the next decade.

Strategy development is the purpose of this book. It is concerned with how to identify the key issues and the important factors in selecting a strategy. While considerable attention is given to strategic analysis areas such as portfolio and screening analysis, profit impact of marketing strategy (PIMS), market segmentation, and positioning strategies, our primary objective is to weave the various areas into a strategic framework rather than to provide an in-depth coverage of each analysis area, since this is available from several excellent sources. A depth treatment of each area would require far more space than is feasible in one book. When more depth is required, the end notes identify various sources. Nevertheless, we have attempted to provide adequate coverage of several important research and analysis tools for the book's target audience.

We have drawn from the contributions and experiences of many different people and organizations. Various colleagues at universities throughout the country and business executives influenced the development of *Strategic Marketing*. While space does not permit acknowledgment of each person that has contributed in some way to the book, we shall identify several whose assistance was important. A special note of appreciation is extended to Gilbert A. Churchill, Jr., of

the University of Wisconsin. As consulting editor, Gil provided many helpful suggestions during the development of the manuscript. Allan D. Shocker at Vanderbilt University, Dale Varble at Indiana State University, and Robert B. Woodruff at the University of Tennessee offered useful guidelines for improving several chapters. Student assistants provided various kinds of support that were essential to completing the book. Penny McMillan typed the complete manuscript, and she is due a special note of thanks for a job well done. The assistance of Texas Christian University and the University of Tennessee is also very much appreciated. Finally, permission to use materials from Dow Jones & Co. publications and numerous other publications and organizations enabled the inclusion of a wide variety of illustrations and examples.

We are indebted to all of these people and to the many authors and publishers who gave permission to use their materials. While the final result is our responsibility, the many kinds of assistance provided were vital to accomplishing the project.

*David W. Cravens*

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# *Part 1*

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**Corporate and Marketing Strategy**



# *Chapter 1*

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## **Strategic Marketing Planning**

The exciting new challenge that the practice of marketing faces has never been greater in the history of business practice. The 1980s mark the beginning of a new era for marketing professionals. There is a shift toward much greater emphasis upon strategic decisions and the more active participation of marketing professionals in corporate strategic analysis and planning. Three major forces are reshaping the role of marketing in many organizations:

- The rapidly increasing changes in markets are creating opportunities for some firms and threats for others. These dynamic influences are significantly altering the attractiveness of market oppor-



tunities for many firms and creating pressures for quick and correct strategic response. We need only look back at the 1970s to appreciate the importance of understanding markets for products and services and the need for prompt response to the changing needs and wants of customers. Consider, for example, the impact of technological change, energy shortages, and double-digit inflation rates upon the markets for watches, automobiles, motels, recreational vehicles, air travel, oil and gas drilling equipment, and many other goods and services.

- Top managements of corporations are placing far greater emphasis than in the past upon developing strong marketing capabilities as a way of strengthening their competitive positions. While some successful corporations, such as General Electric and Procter & Gamble, have long recognized the essential role of strategic marketing decisions, many small, medium-sized, and even large firms such as American Telephone and Telegraph are currently directing much more attention toward marketing strategy. And, the managements of some firms such as Chrysler Corporation, the Singer Company, and A&P may have waited too long as the futures of those firms in 1980 were uncertain.
- Finally, there is far greater recognition throughout companies that meeting customer needs and wants is the responsibility of all members of a business organization, not just those people assigned to the marketing or sales department. In order for this to happen, both corporate and marketing strategic plans must mold these various activities into a cohesive effort aimed at customer satisfaction. Polaroid Corporation's unsuccessful entry into the instant movie market illustrates the importance of identifying the real needs and wants of customers and matching them with appropriate product offerings.

This book is about *strategic marketing planning*. We shall present an approach to planning and illustrate how it can be applied in any business firm and not-for-profit organizations as well. The approach is built around the strategic marketing decisions that management must make in any organization in order to satisfy customer needs and wants. In this chapter we set the stage for the remainder of the book by first examining the enterprise-spanning significance of the marketing concept and how adopting the concept will lead to customer satisfaction. Next, we illustrate the importance of strategic planning to corporate survival and prosperity and discuss several reasons why strategies fail. This sets the stage for developing a step-by-step approach to strategic marketing planning. Finally, marketing's expanding strategic role in the enterprise is considered.