

SECOND EDITION

STRATEGIC MARKETING PLANNING



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RICHARD M. S. WILSON

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Strategic Marketing Planning

Second edition

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Strategic Marketing Planning

Preface to the Second Edition

Over the past decade the marketing environment has changed in a series of dramatic and far-reaching ways. Amongst some of the most significant of these changes has been the emergence of what we refer to within this book as 'the new consumer' and 'the new competition.' This new consumer is typically far more demanding, far more discriminating, much less brand loyal, and far more willing to complain than in the past, whilst the new competition is frequently far less predictable and often more desperate than previously. At the same time, we have seen the ever-faster pace of technological change and the emergence of new delivery systems. Within the environment as a whole, we have seen and been affected by a series of unpredictable events, including the bombing of the twin towers in New York, the unprecedented rise – and then fall – in oil prices in 2008–2009, tensions in the Middle East, and a global economic crisis that began to emerge in 2007–2008. Together, these changes have led to a very different type of marketing reality which has had major implications for the marketing planning and strategy processes. The question of how marketing planners might respond to the new marketing reality is therefore an underlying theme of this book.

In practice, many marketing planners have responded by focusing to an ever greater degree upon short-term and tactical issues, arguing that during periods of intense environmental change, traditional approaches to planning are of little value. Instead, they suggest, there is the need to develop highly sensitive environmental monitoring systems that are capable of identifying trends, opportunities and threats at a very early stage, and then an organizational structure and managerial mindset that leads to the organization responding quickly and cleverly.

Within this book we question these sorts of assumptions and focus instead upon the ways in which the marketing planning process can be developed and managed effectively and *strategically*. We therefore attempt to inject a degree of rigour into the process arguing that rapid change within the environment demands a *more* strategic approach rather than less.

The origins of this book can be seen to lie in our earlier book, *Strategic Marketing Management: Planning, Implementation and Control*. This was first published in 1992, with the second edition appearing five years later and the third edition in 2005. The very positive response that we received

to the book appears to have been due, at least in part, to the way in which we assumed a certain level of knowledge on the part of the reader and then attempted to develop this further. This led us, in turn, to write the first edition of *Strategic Marketing Planning* which was published in 2003. The approach that we took within the book was essentially similar to that of *Strategic Marketing Management*, in that we did not return to first principles but relied instead upon the reader coming to this material with a solid grounding in the subject. The same approach is reflected in this second edition. As in the past, we have tried to give emphasis not just to the changes that are taking place within the marketing environment, but also to their implications for marketing planning and marketing strategy. In doing this, we have refocused parts of the book and included new material covering areas that have developed significantly over the past few years, including experience marketing, e-marketing, and the management of competitive *dis*advantage.

The primary markets for the book can therefore be seen to include:

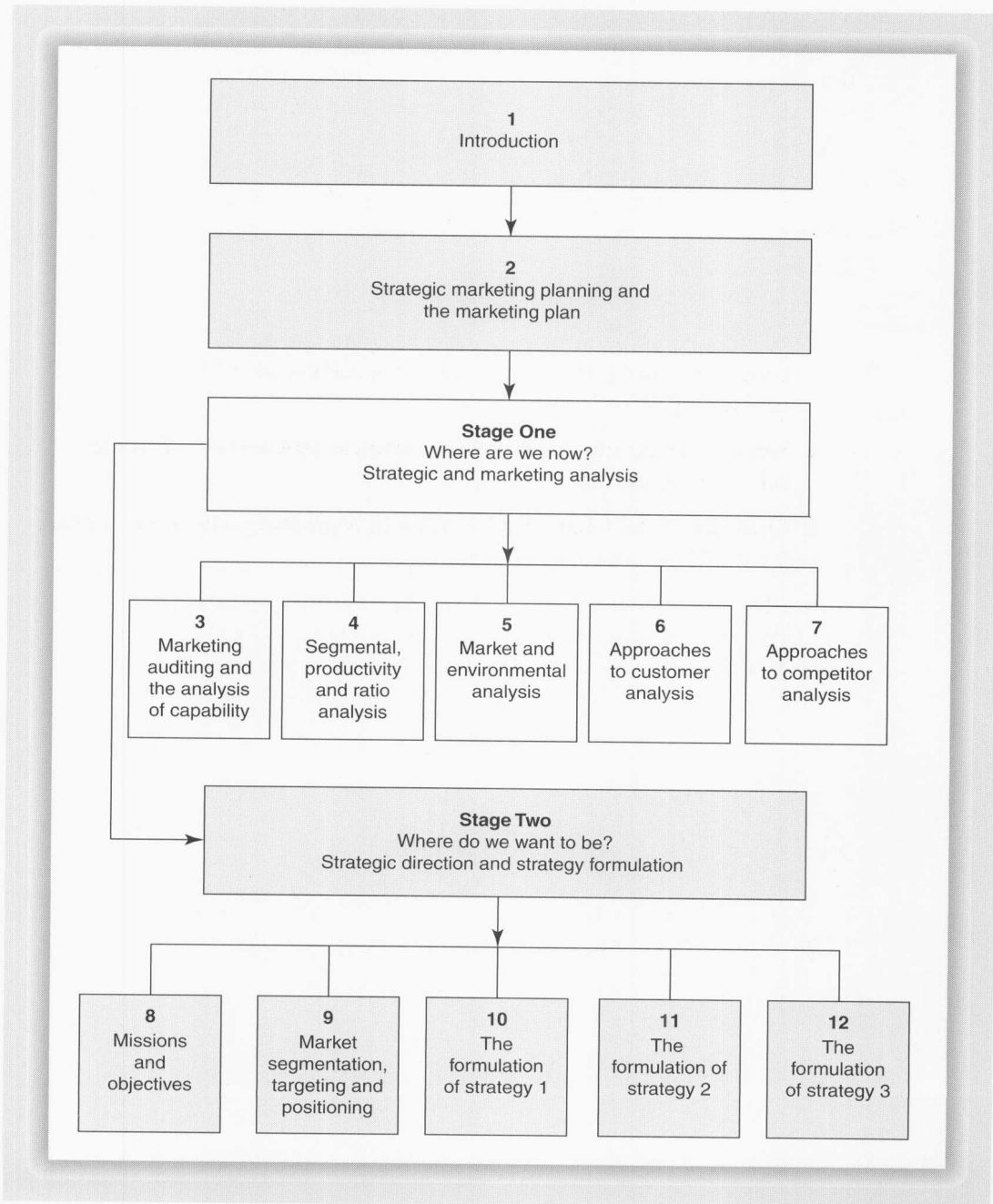
- Students reading for degrees involving marketing, but especially MBA candidates and those studying for a specialist Master's degree in marketing
- Senior undergraduates following business studies and business related programmes
- Students of the Chartered Institute of Marketing who are preparing for the Diploma examinations
- Marketing practitioners who will benefit from a comprehensive review of current thinking in the field of strategic marketing planning.

Colin Gilligan, Sheffield
Richard M.S. Wilson, Loughborough

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Overview of the Book's Structure



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Introduction

1.1 LEARNING OBJECTIVES

When you have read this chapter you should be able to:

- (a) define marketing in strategic terms;
- (b) understand the basic structure of the book and how this chapter establishes the context for what follows;
- (c) specify the characteristics of strategy and strategic decisions;
- (d) understand the nature of the debate about the future role of marketing and its contribution to management, enhancing organizational effectiveness;
- (e) appreciate the changing emphases within marketing and the implications for the ways in which marketing strategies are developed.

1.2 THE NATURE OF MARKETING (OR, 'DELIVERING VALUE AND WINNING CUSTOMER PREFERENCE')

The question of what marketing is and what it entails has been the focus of a considerable amount of work over the past 60 years. From this, numerous definitions have emerged, with differing emphases on the process of marketing, the functional activities that constitute marketing, and the orientation (or philosophy) of marketing. The Chartered Institute of Marketing, for example, for a long time defined it as:

the management process for identifying, anticipating and satisfying customer requirements profitably.

A slightly longer but conceptually similar definition of marketing was proposed by the American Marketing Association (AMA) in 1985:

Marketing is the process of planning and executing the conception, pricing, promotion distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.

Although this definition, or variations of it, was used by a variety of writers for a number of years (see, for example, McCarthy and Perreault, 1990; Kotler, 1991), Dibb *et al.*, 2005; Littler and Wilson (1995, p. 1) pointed to the way in which its adequacy was increasingly being questioned in European textbooks (e.g. Foxall, 1984; Baker, 1987).

They went on to suggest that too many definitions of marketing have presented marketing as a *functional* process conducted by the organization's marketing department, whereas the role of marketing today is increasingly being conceptualized as an organizational philosophy or 'an approach to doing business'. This strategic as opposed to a functional approach to marketing was initially captured both by Drucker (1973) who, almost forty years ago, put forward a definition of marketing orientation: McDonald (1989, p. 8):

Marketing is a management process whereby the resources of the whole organization are utilized to satisfy the needs of selected customer groups in order to achieve the objectives of both parties. Marketing, then, is first and foremost an attitude of mind rather than a series of functional activities.

and subsequently by

Marketing is so basic that it cannot be considered a separate function on a par with others such as manufacturing or personnel. It is first a central dimension of the entire business. It is the whole business seen from the point of view of its final result, that is, from the customers' point of view.

Although Drucker's definition had a significant effect upon patterns of marketing thinking, it has increasingly been recognized that it too has a number of limitations. Perhaps the most significant shift in emphasis since Drucker wrote this is to be found in the importance that is now attached to *competitive position* in a changing world and that the marketing concept is the managerial orientation which recognizes that success primarily depends upon identifying changing customer wants and developing products and services that match these better than those of competitors (Doyle, 1987; Wilson and Fook, 1990).

More recently, writers such as Vargo and Lusch (2004), Jobber (2006) and Kotler and Keller (2008) have all pointed to the way in which a new perspective on marketing, characterized by a focus on intangible resources,

the co-creation of value, and the management of relationships, has emerged that demands a very different type of definition of marketing. Recognition of this highlights some of the inadequacies of the AMA definition within what is now a very different business environment. It could therefore be said that the AMA definition is more of a list than a definition and is therefore clumsy and inconvenient to use; that it cannot ever be comprehensive; and that it fails to provide a demarcation as to what necessarily is or is not *marketing*.

It was in an attempt to reflect the very different role that marketing now plays that the Chartered Institute of Marketing (CIM) revised its definition in 2008, seeing it as:

The strategic business function that creates value by stimulating, facilitating and fulfilling customer demand.

Underpinning the definition is the CIM's belief that marketing creates value *by building brands, nurturing innovation, developing relationships, creating good customer service and communicating benefits.*

The contrasting emphases on customers and competitors that are highlighted by these more recent definitions of marketing can be highlighted, as in Figure 1.1. If an enterprise is managed a little better than customers expect, and if this is done in a slightly better way than competitors can manage, then the enterprise should be successful.

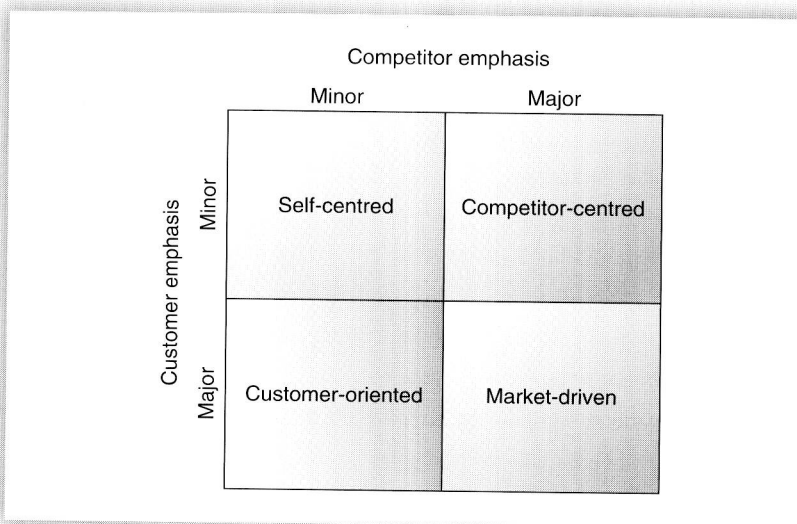


FIGURE 1.1 Customer and competitor orientations (adapted from Day, 1990)

Within Figure 1.1, the customer-oriented and competitor-centred categories speak for themselves. The self-centred category is characterized by an introspective orientation that focuses on year-on-year improvements in key operating ratios, or on improvements in sales volume without making direct comparisons with competitors. Such an orientation is potentially disastrous when viewed in strategic terms. At the opposite extreme is a market-driven approach to marketing, which seeks to balance responsiveness to customers' requirements on the one hand with direct competitor comparisons on the other (see Illustration 1.1).

Illustration 1.1 But is your organization really market-driven?

When Peter Drucker first outlined the marketing concept over 50 years ago, he equated marketing with customer orientation, arguing that for a firm to be market-driven meant always putting the customer first and innovating continuously to improve the delivered value. Subsequently, it has been recognized that Drucker's perspective lacked strategic content in that it gives emphasis to the organizational culture, but fails to provide guidance on *which* customers to serve and how to serve them. Equally, Drucker's initial views failed to take explicit account of competitors and the discipline of profit in the analysis of product and market opportunity. It is because of this that *customer* orientation has been replaced with the broader concept of *market* orientation.

Given this, we can see marketing operating at three levels:

1. Marketing as a *culture* characterized by a set of values and beliefs that highlights the importance of the customer's interests
2. Marketing as a *strategy* concerned with the choice of products, markets and competitive stance
3. Marketing as the set of *tactics* (essentially the seven Ps of the expanded marketing mix) that provides the basis for the implementation of the business and competitive strategy.

Recognition of this has led Webster (1999, pp. 239–40) to argue that the extent to which an organization is market-driven can be measured against eleven dimensions:

1. The extent to which a customer focus pervades the entire organization
2. The commitment to delivering value
3. The identification and development of distinctive competencies
4. The formation of strategic partnerships
5. The development of strong relationships with strategically important customers
6. The emphasis upon market segmentation, targeting and positioning
7. The use of customer information as a strategic asset

8. The focus on customer benefits and service
9. Continuous improvement and innovation
10. The definition of quality based on meeting customers' expectations
11. A commitment to having the best information technology available.

For Day (1990), the characteristics of a market-driven organization can be stated more succinctly:

- An externally oriented culture that emphasizes superior customer value
- Distinctive capabilities in market sensing as a means of anticipating the future
- Structures that are responsive to changing customer and market requirements.

The significance of being market-driven has, in turn, been highlighted by a series of studies, including one amongst 600 managers in France, the USA, Germany, Japan and the UK, which found that 'the single strongest influence on company performance is innovativeness. Further, a market-oriented company culture was found to have a positive impact in all five countries, while customer orientation, by itself, has virtually no influence on bottom line performance' (Webster, 1999, p. 241). It is the recognition of this that, as Webster suggests, highlights the need for firms to innovate continuously in order to exceed the customer's evolving definition of value.

Given the nature of these three comments, the essential requirements of marketing can be seen to be (Wilson, 1988, p. 259):

1. The identification of consumers' needs (covering *what* goods and services are bought; *how* they are bought; *by whom* they are bought; and *why* they are bought);
2. The definition of target market segments (by which customers are grouped according to common characteristics – whether demographic, psychological, geographic, etc.); and
3. The creation of a *differential advantage* within target segments by which a distinct competitive position relative to other companies can be established, and from which profit flows.

The way in which a differential advantage might be achieved – and sustained – is through the manipulation of the elements of the *marketing mix*. This mix has traditionally been seen to consist of the 'four Ps' of marketing: Product, Price, Promotion and Place. Increasingly, however, but particularly in the services sector, it has been recognized that these four Ps are far too limited in terms of providing a framework both for thinking about marketing and for planning marketing strategy. It is because of this that a



FIGURE 1.2 The elements of the marketing mix

far greater emphasis is now given to the idea of an expanded mix that has three additional elements:

- People
- Physical evidence
- Process management.

The detail of both the traditional 'hard' elements of the mix and the 'softer' elements appears in Figure 1.2.

1.3 THE MANAGEMENT PROCESS

Management can be looked at from a variety of viewpoints. It may be seen from one perspective as being largely an *attitude* that reflects a willingness to debate issues and resolve them through the use of appropriate techniques and procedures. Alternatively, management may be viewed in terms of its *responsibility for achieving desired objectives*, which requires the selection of means to accomplish prescribed ends as well as the articulation of those