

CHAPTER TWO: THEORETICAL FOUNDATION

“The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself.” (Peter F. Drucker, 1946)

2.1 Introduction

This chapter is devoted to the theoretical foundation of Strategy and the role of Marketing Strategy. It assumes that the reader has some knowledge on the basic marketing concepts; therefore the explanations are brief and concrete.

The first step is to provide a definition of Strategy and its hierarchic levels as well as Tactical Planning, so that the concept is not confused with Strategic Marketing, explained after this notion.

Secondly the concept of Strategic Marketing Planning will be explained. Several definitions from different authors are presented to have a wider range of ideas which will also facilitate the comprehension of this dossier.

Thirdly, a SWOT analysis will be defined in order to comprehend the benefits that we will obtain from analyzing the strengths, weaknesses, opportunities and threats that the company faces.

This chapter concludes with the elucidation of three different Strategic Marketing Plan models proposed by different authors. The company will be asked to select the one that best satisfies their needs, which will be developed in the following chapters.

2.2 Strategy

Strategy is the fundamental pattern of present and planned objectives, resource developments and interactions of an organization with markets, competitors and other environmental factors (Mullins, Walker, Boyd & Larréché, 2002). For this reason, a good

strategy should always specify: a) What is to be accomplished; b) where – the product, markets, or industries that are to be focused, and; c) how – resources and activities that will be allocated to each market/product to gain a sustainable competitive advantage.

Organizations define their objectives and strategies through the process of strategic planning that should be long-term focused. Strategic planning involves activities that lead to the development of a well-stated organizational mission, objective and strategies that guide the company towards their achievement of its objectives (Hofer & Schendel, 1978).

2.2.1 Levels of Strategy

Considering strategy in terms of levels is a convenient way to distinguish among the various responsibilities involved in strategy formulation and implementation (Hofer & Schendel, 1978)

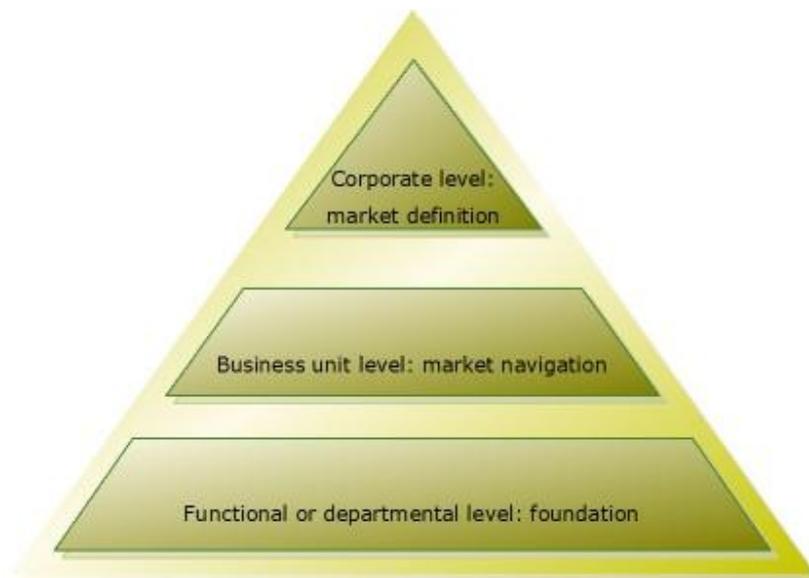
. Strategy can be classified on three different hierarchical levels shown in Figure 3.

Corporate level strategy addresses the entire strategic scope of the company. This part of the organization decides the selection of businesses and markets in which the company should compete and operate – the organization's strategic scope.

A strategic business unit is any profit center that can be planned independently from the other business units of any corporation. The strategic issues are about practical coordination of operating units but also about developing and sustaining a competitive advantage for the products and services that are marketed.

The functional level of the organization is the level of the operating divisions and departments. The strategic issues at the functional level are related to functional business processes and value chain.

Figure 3
Hierarchical strategic levels



Source: Prepared in-house. Adapted from Hofer & Schendel (1978)

2.2.2 Strategic vs. Tactical Planning

Tactical planning involves short-term actions taken to achieve the implementation of the broader strategic plans; it focuses on activities needed to implement larger strategies, and guides the implementation of the goals specified in the strategic plan. It is important to develop the tactical planning after the strategic plan is already in place (Cangelosi, 2006).

Strategic planning is defined in the following lines.

2.3 Strategic Marketing Plan (SMP)

Marketing is a process for analyzing, planning and managing the organization's resources while identifying and serving current and potential client groups and their needs profitably, as Cangelosi (2006) say.

According to Armstrong, Kotler, Cunningham & Mitchell (2004) SMP's are documents that outline in detail the marketing strategies which will help a company, product, or brand accomplish its overall business objectives.

Clancy and Krieg (2000) define it with a metaphor, saying that the marketing plan is to the company success as a road map is to a road trip. Implying that the SMP is the key to pass from strategy to tactics. It acts as a tracking mechanism, it determines the budget, and it is a scale against which the company measures marketing effectiveness. It is considered as an internal communications tool that everyone must consult to know where the business is going and how it plans to get there.

2.3.1 *SMP Purposes*

According to Pride & Ferrell (1995) and Cohen (1995) a SMP functions for a wide range of purposes:

- Act as a road map
- Assist in management control and implementation of strategy
- Informs new participants of their roles in implementing the plan and reaching the objectives
- Assist in helping to obtain resources for implementation
- Helps in the organization and assignment of responsibilities, tasks and timing
- Stimulates thinking and the better use of limited resources

- Encourage the participation of various functional managers in the planning process through planning teams
- Helps recognizing problems, opportunities, and threats in the future
- Focus on generating competitive marketing strategies in keeping with the growing intensity of global competition.

The whole purpose of the SMP – and the only practical reason for developing such a plan – is to develop strategies. Broadly defined, strategies are actions to achieve objectives that complement and support corporate policy.

To reinforce this assertion about planning, Dwight D. Eisenhower (1957), the distinguished U.S. general of World War II fame and late U.S. president stated, “*The plan is nothing; planning is everything.*” This statement implies that plans are useless unless implemented. Strategizing, thinking, conceptualizing, and implementing represent the action concepts associated with planning thereby become the primary outcomes of the SMP.

2.3.2 *Reasons for Developing a SMP*

Dirks & Daniel (1991) mention that company managers choose to introduce and/or reemphasize marketing planning for a number of reasons, which may range from personal interests to corporate policies. However, the reason usually centers around an opportunity or an identified problem that the company management needs to explore. For example:

- Introducing new products or services
- Expanding into new markets

- Differentiating products or services
- Revitalizing products, services or markets
- Deleting or “demarketing” products, services, or markets
- Responding to a drop in sales or profits
- Evaluating financial or legal risks of opportunities
- Motivating employees
- Enhancing company image, brand, or reputation.

2.3.3 Types of Marketing Plans

Marketing plans tend to fall into a number of categories for a number of purposes.

According to Cohen (1995), the two basic types are the new product and the annual marketing plans.

- The New Product Plan is prepared for a product, service product line, or brand that has not yet been introduced by the firm. The SMP for a new product will have many unknowns, because there will be little or no feedback from the market and the product or service may have no track record with the company.
- Annual Marketing Plans are for those products, projects, services, and brands that are already established in the company’s product line. This planning must be reviewed periodically and the plan may be adjusted and modified in the interim as changes occur in the environment or in the company.

2.4 SWOT Analysis

The product, service or the main aim of the company doesn’t only determine its vision, mission, objectives and goals; it also establishes the company’s structure and the way the

environment affects it. A SWOT analysis is a formal framework that identifies and encloses organizational growth opportunities; it's the strategic analysis traditional method.

SWOT is an acronym for an organization's Strengths, Weaknesses, Opportunities, and Threats. After analyzing each one of them internal strengths will be matched to external opportunities. In addition, internal weaknesses will be converted into strengths and external threats into opportunities.

2.4.1 External Variables Evaluation: Threats and Opportunities

In this section, the relevant external environmental forces that directly have an effect on the company will be considered; such as competitive, economic, political, legal and regulatory, technological, and socio-cultural forces.

Threats are conditions or barriers that may prevent the organization from reaching its objectives, while opportunities are favorable conditions in the environment that could yield rewards for an organization if acted on properly.

2.4.2 Internal Variables Evaluation: Strengths and Weaknesses

Strengths are competitive advantages or core competencies that give the organization an advantage in meeting the needs of its costumers; weaknesses are limitations a firm has in developing or implementing a marketing strategy.

2.5 Strategic Marketing Plan Models

2.5.1 SMP: Norton Paley

According to Paley (2000), a successful SMP has to consider internal and external factors along with long- and short-term strategic marketing issues. Some of the major attributes of the SMP's are:

- Competitive marketing strategies; considered as the primary output of an SMP.
- Cross-functional strategy development; strategies identified in the SMP should incorporate every function of an organization.
- Strategic focus; the SMP should have a long term strategic focus that attempts to forecast consumer purchase patterns; asses the level of competitive intrusion; and evaluate the nature of the industry on such factors as growth, stability, and decline.

Figure 4 details Paley's Strategic Marketing Plan model, where the top row of boxes represents the *strategic* portion of the plan and covers 3- to 5-year time frame. The bottom row of boxes displays the *tactical* 1-year marketing plan. The merging of these sections – strategic and tactical – into one unified SMP makes the complete format; linking the internal functions of the organization with the external and volatile changes of a competitive global environment.

Figure 4**Strategic Marketing Plan: Paley**

Source: Adapted from Paley (2000)

2.5.2 SMP: William A. Cohen

Every marketing plan should have a planned structure or outline, for Cohen (1995) the marketing plan has to be presented in a logical way without omissions, therefore, he says there are many sections in common to all marketing plans. His recommended outline is presented in the following lines:

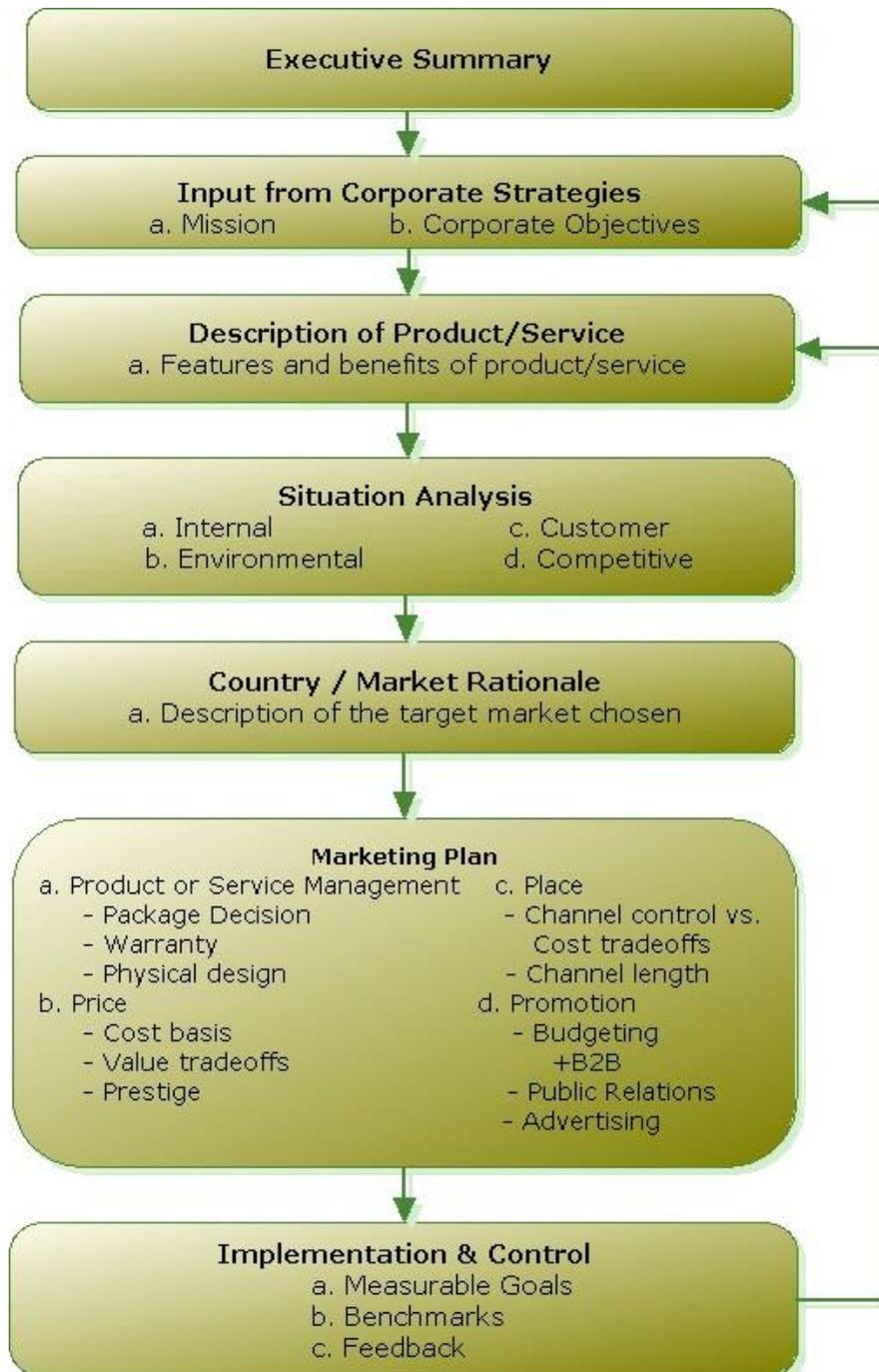
1. The Executive Summary- A synopsis of the entire marketing plan. It answers briefly who, what, when, where, and how questions for the plan.

2. Competitive Analysis- Focuses on the environment in which the marketing plan is to be implemented.
3. The Mission Statement- A written description of the organization's purpose, vision, and overall goals. This statement provided the foundation upon which all further planning is based.
4. The Marketing Plan- The SMP section is formed by a detailed description of various marketing mix variables.
5. The Financial Plan- Lays out a realistic approach for securing needed funds and managing debt and cash flows.
6. Controls- Describe the actions that the company will take to reduce the differences between the planned performance and the actual performance. This section includes contingency plans.

2.5.3 SMP: Beckman, Kurtz & Boone

Through strategic planning, the company decides what it wants to do in a specific problem or opportunity. Marketing planning involves deciding on marketing strategies that will help the company reach its overall strategic objectives (Beckman, Kurtz & Boone, 2000). A detailed Strategic Marketing Plan is needed for each business, product or brand. Figure 5 outlines a marketing-oriented approach to strategy formulation and evaluation. This model starts with an executive summary, which quickly overviews major assessments, goals, and recommendations. The main section of the plan presents a detailed analysis of the current marketing situation as well as potential threats and opportunities (SWOT). It next states the main Marketing Plan outlining the specifics of a Marketing Strategy for achieving them.

Figure 5
Strategic Marketing Plan: Beckman, Kurtz & Boone



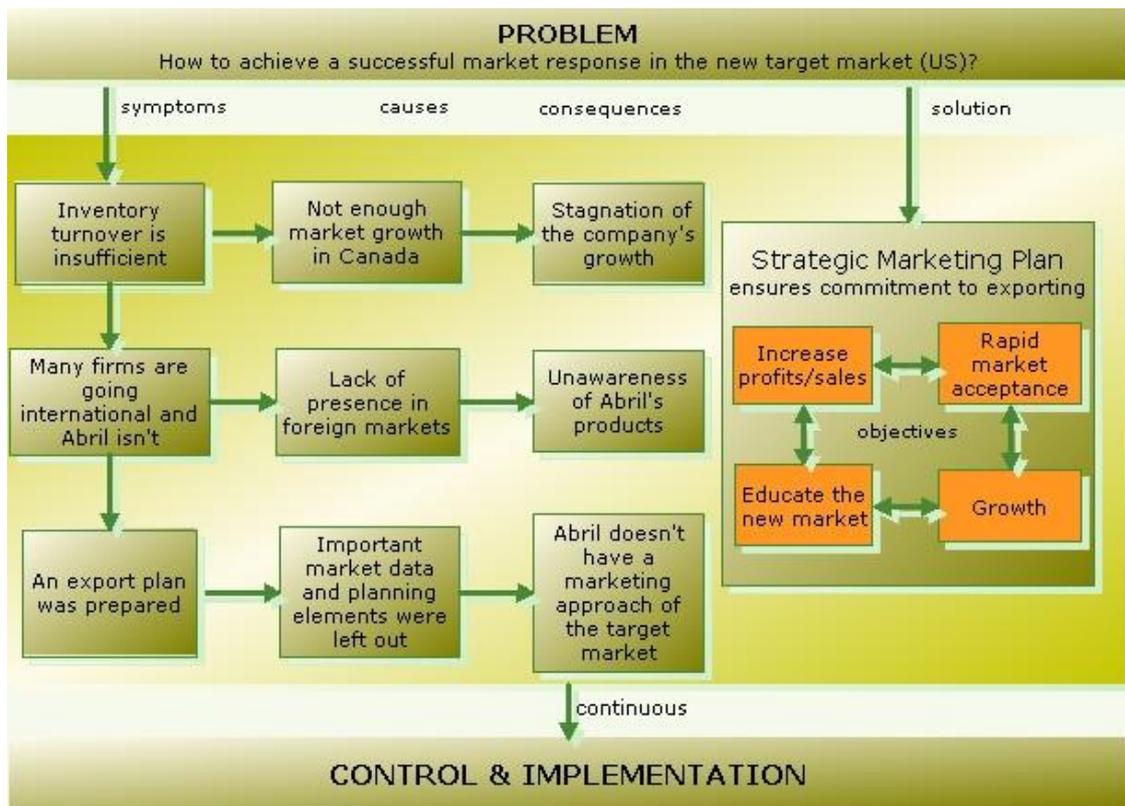
Source: Adapted from Beckman, Kurtz & Boone (2000).

2.6 Flowchart Model

With *Abril's* rapid growth in the Canadian market, the opportunity to expand to an additional market came. As the company realized that the Canadian market was slowing down, a stagnating period was forecasted. To remedy these two situations, *Abril's* executives decided to expand into foreign markets.

An Export Business Plan (EBP) was prepared, though it lacked vital research, analysis and recommendations in its marketing section. This flaw in the EBP gave way to a larger window of opportunity to look into the marketing sector.

Figure 6
Flowchart model: *Abril's* problematic.



Source: Prepared in-house (2007)

Figure 6 shows *Abril's* main problematic -How to achieve a successful market response in the new target market?- which leads to a reasonable solution; the elaboration of a Strategic Marketing Plan (SMP) that guarantees successful results in venturing into the American market.