
Topic 4

Market-Oriented Strategic Planning

LEARNING OUTCOMES

By the end of this topic, you should be able to:

1. Relate the marketing management process with the strategic planning process;
2. Discuss the main elements involved in the strategic marketing planning process;
3. Describe the concept of strategic business unit and portfolio analysis; and
4. Apply strategic marketing planning processes through the development of a marketing plan.

► INTRODUCTION

Management process requires a well-planned and systematic work frame to drive towards the execution of the steps. The first step in the management process is planning. Usually, an organisation uses strategic planning to plan all its actions. On the other hand, strategic marketing is a process that involves a few steps that must be performed thoroughly and in orderly fashion.

Other than the component of planning, the strategic planning process involves three other important components, which are environmental analysis, formation of strategy and control. The development of the strategic planning process has to

be done in writing. The strategic planning process is known as marketing plan. It will be a guideline for all the units in the marketing-oriented business organisation in executing their activities.

4.1 MARKETING MANAGEMENT PROCESS

Marketing management process is an activity of planning and implementation. You learned the complete marketing management process in Topic 1. The summary of the process was illustrated in Figure 1.3. Meanwhile, based on the management theory, planning refers to the implementation of measures by the organisation or the managers. However, there is a method of planning that can be deemed the best to be chosen by the organisation or the manager, which is strategic marketing planning.

4.2 PROCESS OF STRATEGIC MARKETING PLANNING

Strategic planning refers to a planning process which is systematic and comprehensive. It encompasses all the issues and factors in a series of steps that are systematically structured. The strategic planning process begins with the step taken to understand the nature of business ventured up to the execution of control measures (Dalrymple & Parsons, 1999). Figure 4.1 briefly illustrates the processes of strategic marketing planning.

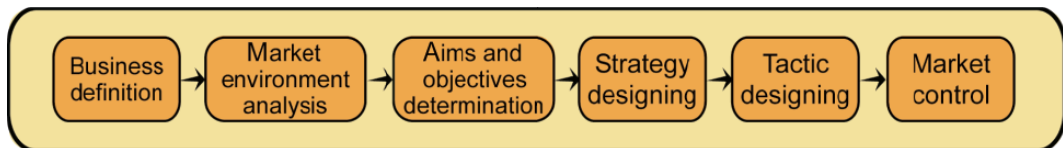


Figure 4.1: Strategic planning processes

The development of strategic planning in an organisation can be classified into four main stages, they are:

- (a) Corporate stage;
- (b) Section or unit stage;
- (c) Strategic business unit (SBU) stage; and
- (d) Product stage.

Corporate stage planning is a strategic planning prepared for the overall organisation. The section or unit planning stage is prepared specifically for certain section or unit such as the production section, marketing section and the sales section.

The steps which need to be performed by the marketer while developing the strategic planning processes are explained in the following sub-sections.

4.2.1 Business Definition

The main result of this step is to provide the answer to the question of rationalisation on the existence of an organisation. This definition is needed to answer the question of “Why is this organisation formed?”. Therefore, the organisation must work to have a clearer understanding of the business field it ventured into. The result of this step is translated into the vision and mission statement.



SELF-CHECK 4.1

1. What do you understand about vision and mission?
2. Is vision different from mission? Give your opinion.
3. What are the purposes of vision and mission?

(a) Vision

Vision is a statement of the target or genuine direction of an organisation. Usually, vision requires the accomplishment of targets in the long term, normally more than 10 years. Through the vision statement, the organisation needs to clarify the target clearly and generally. The easiest way for you to understand the concept of vision is by looking at Vision 2020.

Vision may be defined in general or specific terms. The next example may explain the scope of general or specific business definition. TransCity Sdn Bhd (TransCity) is a transportation company. If TransCity defines its business as a transportation company, the company will concentrate on the business of public transportation. However, if the company defines its business as a goods transportation company, it will possess lorries and coaches carrying goods only.

(b) Mission

Mission is a vision statement which is more specific. While through vision, an organisation learns the business ventured in general, through mission, the organisation must answer more specific questions such as the following:

- (i) Who are its consumers?
- (ii) What are the values sought by consumers?
- (iii) What will happen to the business in the future?
- (iv) What business should be ventured in the future?

Other than being different in terms of scope, vision and mission also vary in terms of period. The period that is needed to realise a vision is relatively longer than to realise a mission.

Kotler (2005) states that vision and mission must be founded on the advantages of competition that the marketer has. The advantages of competition can be categorised into six scopes as illustrated in Figure 4.2.



Figure 4.2: Scopes of competition advantages

(a) Industrial Scope

The organisation needs to be clear about the scope of business ventured. Based on the example given of TransCity, if a company defines its business as public land transportation, it will own buses, taxis and passenger trains.

(b) Product and Use Scope

Based on the products and their usage. For example, the Nestlé Company offers a variety of nutritious food products to the whole world.

(c) **Skill Scope**

Based on the skill and advantages of competition of an organisation and its members. For example, Telekom Malaysia will focus its development efforts in the telecommunication industry.

(d) **Market Segmentation Scope**

Focuses on specific market segment continuously. For example, Zaiton Industries Bhd emphasises on the production of a variety of product for the use of Muslim consumers.

(e) **Vertical Scope**

Pays attention to all the business stages that exist in the marketing process of a new product, beginning from the raw material until the distribution of the goods to the consumers. For example, Proton Berhad dominates several car components supplier and distribution companies in Malaysia as well as a few other countries that import Proton cars.

(f) **Geographical Scope**

Focuses on business according to location such as Malaysia, ASEAN countries, Asia Pacific and others.



ACTIVITY 4.1

Based on the vision and mission scopes, what is your opinion about the undertaking of these companies?

1. If the company Modenas is well-known by Malaysians as the ultimate motorcycle producer, what are the appropriate new products to be produced by the company?
2. What is the business scope used by the companies Toys 'R' Us and Body Shop?

4.2.2 Market Environment Analysis

This step is the organisation effort to better identify the environment that will be faced by the organisation. The development of market environment analysis steps requires the organisation to choose an effective and efficient market environment analysis.

Based on the process of strategic marketing management, the organisation vision and mission will be used as the foundation in the attempt of identifying the environment. For example, based on the case of TransCity company, if the company defines its business as prime movers, then the company should only focus its efforts on identifying the market environment of goods transportation that use prime movers.

The market environment analysis can be classified into two:

- (a) Internal environment analysis; and
- (b) External environment analysis.

Internal environment analysis looks at factors that can be controlled by the organisation such as staff, procedure, financial situation, production technology and workplace condition from the aspect of **strength** and **weakness**. The external environment analysis on the other hand, looks at the factors that cannot be controlled by the organisation such as the macro environment (economy, technology, social, cultural, political and legal, natural environment, etc), consumers and competitors from the aspect of **opportunities** or **threats**.

The determination whether an internal factor is a strength or a weakness and whether an external factor is an opportunity or a threat is made by the perception of the factor’s effect, whether it is positive (favouring) or negative. A factor classified as strength or opportunity is an environmental factor that produces a positive environment while a factor that is classified as weaknesses or threats produces a negative effect. Refer to Table 4.1.

Table 4.1: Business Environment Analysis

| Internal Environment Analysis | External Environment Analysis |
|--|--|
| <ul style="list-style-type: none"> • Staff • Procedures • Financial situation • Production technology • Workplace condition | <ul style="list-style-type: none"> • Macro environment • Consumers and competitors • Economy, technology, social, cultural, political, legal, natural environment |

There are various methods for an organisation to perform environmental analysis. Among these are the following methods:

- (a) Strengths, weaknesses, threats and opportunities (SWOT analysis);
- (b) Consumer analysis;

- (c) Competitor analysis;
- (d) Economy analysis methods;
- (e) Boston Consulting Group (BCG) matrix; and
- (f) General Electric Co. matrix (GE).

All the environmental analysis methods assist an organisation to identify and study a certain environment more specifically. For example, competitor analysis is used by the organisation to identify in-depth the strengths and weaknesses of competitors.

However, SWOT analysis is different from the other analysis methods as it is a more comprehensive environmental analysis method. It inspects and studies all the environmental factors faced by the organisation, either internally or externally. Since SWOT analysis is easy to implement, comprehensive and systematic, it is the most popular method among business organisations.

What do you understand about the terms used in SWOT analysis? SWOT is an acronym for strengths (S), weaknesses (W), opportunities (O) and threats (T). If you still remember, earlier in the topic, all four of the terms refer to the factors resulting from two environment categories based on two perspectives, which are the internal and external environment based on the positive and negative aspects.

4.2.3 Business Portfolio Analysis

Other than the need to analyse the market environment for general business, the marketer needs to develop an analysis for the strategic business unit analysis. What is the meaning of business unit?

Business unit refers to a product line or subsidiaries (allied companies) that can be differentiated, particularly in terms of consumers and competitors. For example, Nestlé Company owns unit sectors based on product lines such as snack food, breakfast cereals, baby milk and chocolates. Nescafe, Milo, Maggi and Neslac are some of the business units of Nestlé Company. Meanwhile, the Hicom-DRB company is involved in many business sectors. Therefore, the corporate bodies form certain subsidiaries to operate in specific business fields.

After you understand the concept of business unit, you also need to understand the concept of strategic business unit (SBU) as this is related to portfolio analysis. What is meant by SBU? It is a business unit that will be the main contributing factor to the overall corporate revenue acquisition of the marketer. SBU income increases will also increase the overall corporate income, and the decline or deterioration of SBU revenue will have a significant effect on corporate decline.

Other than being the main contributing factor in gaining corporate income, SBU can be managed as a separate entity from the other business units. For example, since the brand Maggi has a number of products and most of the products are market leaders, the brand Maggi is made into the Nestlé company's SBU.

The following are the most popular methods to analyse the market environment:

- BCG Share-Growth Matrix (BCG);
- GE Market Attraction Matrix (GE); and
- Ansoff Growth Grid.

(a) **BCG Share-Growth Matrix (BCG)**

The portfolio matrix analysis was introduced by a consultant agency called Boston Consulting Group. BCG Matrix is based on the combination of two factors, market growth rate and market share domination by SBU compared to the competitors' market share domination.

Both of the market factors are working on two perspectives, which are high and low. The combination produces four situations (two factors X two perspectives). Each situation has a distinct difference and brings implications to the market in different ways, particularly in terms of marketing investments and strategies. Figure 4.3 can help you to understand the BCG Matrix.

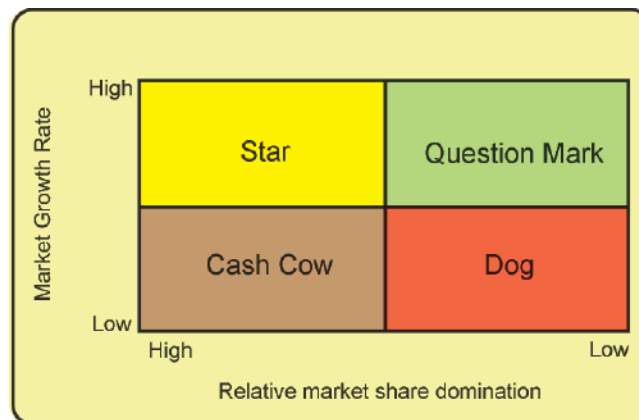


Figure 4.3: BCG matrix

Source: Adapted from Kotler & Armstrong. (2005)

Based on Figure 4.3, SBU, the market has relatively low market share domination categorised as the dog and cash cow.

- (i) For the **dog** situation, the SBU is lower compared to the competitor, which means smaller market share domination as compared to the competitor's domination of the market share. Therefore, the corporation has two options, whether to increase its investment to enhance the competitive SBU or remove the particular SBU from the market (cease operation).
 - (ii) Meanwhile, the SBU in the **cash cow** situation is the SBU that enjoys market leader position. This means the SBU market leader successfully dominates the market and generates a relatively large income, even though it is in a matured market or the one with a low growth rate.
 - (iii) SBU in the market which are experiencing a high level of market growth is divided into two, the **star** and **the question mark**.
 - (iv) SBU in the **star** situation is a successful SBU (having high competing ability). Thus, to increase the corporate revenue and SBU strength, the corporate needs to intensively invest in a selective way.
 - (v) Meanwhile the SBU in the question mark situation needs to redefine its business definition, particularly in the aspect of improving the competition level. This is because, even though it is in an attractive market, the SBU has failed to dominate a large market share compared to the competitor's market share domination. The increase of investment and reconstruction of the market strategy is needed to improve the ability of the SBU to compete in the market.
- (b) **GE Market Attraction Matrix (GE)**

This particular portfolio analysis method is introduced by the giant company in the electric and electronic field, General Electric Co. (GE). The matrix has been developed after most parties came to the conclusion that the BCG matrix has failed to take into account the medium factors in environment.

Through this portfolio analysis, the medium factor is taken into account. So, the matrix has nine quadrants as compared to the BCG matrix that only has four quadrants or situations. Just like the BCG matrix, the GE matrix is founded on two major factors, which are market attraction and SBU business strength. Both factors are evaluated based on three perspectives: high, medium and low.

The combination of the three perspectives and the two factors generate nine (three X three) situations. If we look at it closely, the GE matrix and the BCG matrix are actually the same. The differences of the two portfolios are only from the aspect of perspectives intensity, which in the case of BCG matrix does not take into account medium factors. Figure 4.4 may assist you to better understand the concept of portfolio analysis of the GE matrix.

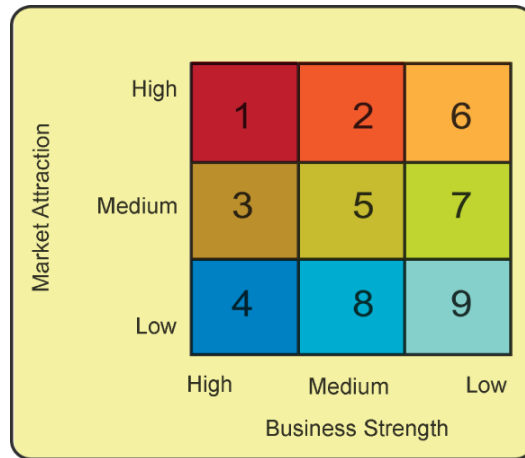


Figure 4.4: GE matrix

Source: Adapted from Kotler & Armstrong. (2005)

Based on the figure, there are nine business situations that the SBU may come to face. However, all the situations can be categorised into three main situation groups. Situations 1, 2 and 3 are in the first group, situations 4, 5 and 6 in the second group and situations 7, 8 and 9 in the third group.

Each group has a different implication on the investment and marketing strategy.

- (i) Group 1 (quadrants 1, 2 and 3) requires intensive increase in investment increase and more inclined towards defense marketing strategy;
- (ii) Group 2 (quadrants 4, 5 and 6) requires selective strategic investment (in certain aspects) and is a combination of defense and attack strategy; and
- (iii) Group 3 (quadrants 7, 8 and 9) can be divided into two smaller groups, group 3a and 3b. Group 3a is made up of quadrant 7 and 8, while group 3b includes quadrant 9. For group 3a, the marketer is required to perform selective investment and harvesting certain SBU

activities. Group 3b on the other hand, requires the marketer to remove the SBU from the market (shutdown the SBU's operation).

While deciding to use the GE or the BCG matrix to analyse the corporate portfolio, the marketer has to choose whether to use the GE matrix or the BCG matrix. This is because, based on the previous discussion, both matrix are quite similar.

(c) **Ansoff Market Growth Grid**

Ansoff Market Growth Grid is one of a two-part portfolio analysis available in the Ansoff growth-downsizing grid. Even though the analysis method is meant for a specific business portfolio analysis, it can still be used to conduct a general market environment analysis. Similar to the approach of the GE and BCG matrix, Ansoff grid analysis is founded based on two major factors, which are the product category and the market. Both factors are evaluated from two perspectives, new and existing.

The combination of the factors and perspectives creates four options of growth situation. All the four growth strategies are market breakthrough, market development, product development and diversity. Figure 4.5 can help you to understand all the four growth strategies better.

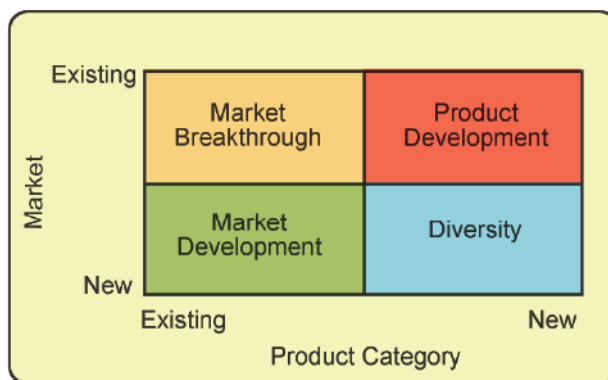


Figure 4.5: Ansoff Growth Grid

Source: Adapted from Kotler & Armstrong. (2005)

Based on Figure 4.5, if the marketer works in increasing the participation of existing (market) customers to use the products more frequently or suggest new method of product application for the existing product, then the strategy is known as the market breakthrough strategy. For instance, hair shampoo producers suggest the shampoo to be used as dishwasher or car wash liquid.

Through the strategy of product development, the marketer will take an action to introduce a new product category in the existing market. For example, Proton Berhad introduces racing bicycles in the Malaysian market. Racing bicycle is a new product category compared to the existing product marketed previously by Proton Berhad in Malaysia. However, the market growth strategy refers to the action of the marketer in marketing an existing product to a new market.

If the marketer decides to introduce a new product category into a new market, the action is known as the diversification strategy. If Proton Berhad produces motorcycles (Proton Berhad has never produced motorcycles before) to be marketed in Laos, which is a new market for Proton, then the action taken by Proton Berhad can be classified as diversification strategy.



ACTIVITY 4.2

1. How is the SWOT strategy inappropriate to be implemented together with financial analysis, customer analysis and competitor analysis?
2. When do you apply the BCG matrix or the GE matrix to analyse the market environment?

4.2.4 Setting Goals and Objectives

After successfully identifying and clustering the environment factors, an organisation needs to determine a few short-term and medium-term targets to be their goal. Similar to vision and mission, goals and objectives are different from the aspect of target scope and goal accomplishment time limit. A goal is general in character and must be accomplished in a moderate time period (a year or more). Objective however is more specific in character and needs to be realised in a short period or less than a year; for example in a day, a month, quarterly and so on.

For instance, the company Restu Sdn Bhd sets the aim to increase its market share up to 20 percent this year. This value is an increase of last year's 5 percent market share domination. To ensure the target of 5 percent increase on market share, the company has set a few objectives; such as to increase sales coverage for every housing estate every week, to increase advertisement coverage for each city every month, every market segment will experience half percent increase every month and the increase of new customers as many as 800 people per month for each product line.

4.2.5 Designing Marketing Strategy

After identifying the organisation ability and setting the short-term and medium-term target, the organisation needs to come up with a method or ways to reach the target based on its ability. Strategy coverage that needs to be designed can be categorised into two: the segmentation strategy and the marketing mix. Segmentation strategy refers to the organisation's effort to locate their product and organisation in the market. This action is normally termed as market or product positioning.

Through this segmentation strategy, other than the need to identify the market target or the market segment, the marketer also has to determine the product and organisation positioning in the consumer's mind. For example, Proton Berhad wishes to position the Proton Perdana cars as the ultimate luxury car in Malaysia.

Proton Berhad therefore needs to identify the market segment to be approached and the methods of how to approach and position the product (Proton Perdana) in the consumer's mind.

However, for them to design the strategies, the marketer needs to differentiate between the general strategy and the specific strategy. This step only requires the marketer to design a general strategy, which are the product strategy, price, place and marketing communication.

4.2.6 Designing Marketing Tactics

As stated in section 4.2.4, marketing tactics is a marketing strategy that is more specific in character. Marketing tactics only involves marketing mix. As stated in the example previously, tactics need to be design to support the marketing strategy. For instance, the price RM99, 999.99 is used to support the price strategy and product positioning for the Proton Perdana as the cheapest car in its class (price strategy). Figure 4.6 may help you to better understand the pricing strategy.



Figure 4.6: Pricing strategy

4.2.7 Marketing Control

Every implementation has to be controlled and monitored to ensure each step of marketing strategy and tactic that needs to be performed is able to reach the aim and objective that has been set. Control measure steps are divided into three, which are the control mechanism, monitoring and performance evaluation. The following are the explanation on the three parts of marketing control.

(a) **Control Mechanism**

There are four methods in the control mechanism and they are the yearly plan control, profitability control, efficiency control and strategic control.

However, the preparation of the yearly expenditure and pro-forma financial statement by the organisation is the easiest method to control marketing activities.

(b) **Monitoring**

The operation process of the marketing plan requires monitoring measure to ensure all that has been performed is in line with what has been set in the early stage of the marketing plan. Through monitoring, the organisation or the manager oversees and supervises all the activities performed so that they are in accordance to the early planning.

(c) **Performance Evaluation**

In order to increase the capability of the human resource and to measure how far the operation is in accordance with the planning, then comparison measures of the real result for the operation and the expected result must be taken. If the real result happens to be as or more than the expectation, then a positive enforcement or incentive must be given. The easiest and cheapest positive enforcement to be carried out by the organisation is through appraisal, whether verbally or in writing (letter of appreciation).



EXERCISE 4.1

1. How far does defining the business done by an organisation influence the strategic marketing planning process of the company?
2. How far can the internal environment be differentiated with the external environment in marketing environment analysis?
3. Explain the meaning of SWOT analysis.
4. How do you classify environment as a factor of strength or opportunity?
5. What is needed to be done by Petronas Berhad if it finds out that one of its strategic business units is in a weak position in the market share domination in the market, even when it is in an attractive market condition?
6. How is a company able to apply the market break strategy and market development as suggested by the Ansoff growth grid?

4.3 MARKETING PLAN

Marketing plan is a strategic marketing planning method that is most popular with the organisations, particularly the business organisation, to plan marketing activities in the medium and long term. Usually, marketing plan is prepared for a period of one to five years (medium term).

However, for certain business organisations, specifically those that pay the most attention to marketing orientation, the organisations prepare a long-term marketing plan for each of their marketing plans, whether it is the organisation direction or their products. For example, the Nestlé Company has prepared a long-term marketing plan for their product Nescafe (instant coffee) since venturing into the Malaysian market at the end of the 1960s until now.

4.3.1 Content Format of Marketing Plan

As stated previously, marketing plan is strategic marketing planning. Therefore, the marketing plan format content must use the strategic marketing planning content format as explained in section 4.2. Hence, all the steps in the strategic planning process should be performed.

Similar to strategic marketing planning, marketing plans need to be developed through a systematic and comprehensive method. Most marketing plans that have been introduced do not have much difference with one another. However, marketers need to pay attention to the execution of environment analysis measures. If marketers are inclined to select SWOT analysis, they do not have to use other environment analysis methods as the SWOT analysis has included all the environmental elements in one systematic and comprehensive evaluation method.

However, if marketers have no desire to use the SWOT analysis, they may choose any environmental analysis method such as the customer analysis, competitor analysis, neutral environmental analysis, economy analysis and the rest in combination. If the marketer wants to perform situation analysis on the SBU, other than using the SWOT analysis, they need to use either the BCG matrix or the GE matrix analysis and the Ansoff grid to accentuate the SBU analysis and planning. Other than using the environmental analysis method for SBU (if applicable), marketers need to use perceptual map method in order to identify and plan the positioning of the marketer and the product.

4.3.2 Report Format of Marketing Plan

The result of the strategic marketing planning performed need to be reported to the higher management or the board of directors of the organisation to be acted upon. Therefore, the marketing plan must be prepared in a written report form. Various marketing plan report writing approaches have been introduced by many writers. However, the following are some important guidelines in the preparation of a marketing plan report.

Every written report should be comprised of three parts, which are:

- (a) Pre-content;
- (b) Content; and
- (c) Reference list and attachment.

(a) **Pre-content**

This part provides a summary to the report, appreciation and the content index. The appreciation page is prepared to express gratitude to certain parties or individuals and it is found before the report summary. Report summary or better known as the abstract or the executive summary (executive summary is more popular) is the part that reports briefly all the facts or important content of the marketing plan. Even though the executive summary is written in the earlier section, it is the final part prepared in the marketing plan report writing process.

Executive summary should be written with single spacing, not more than a page long and use a smaller font size. Content index is usually in a separate page after the executive summary. Numbering of the pre-content in type using the Roman numbers (i, ii, iii...).

(b) **Content**

Content shows the result of all the steps of the strategic marketing planning performed, beginning from the vision statement up to the marketing control. However, the reporter should make some minor adjustment to the report content of the marketing strategic plan appropriate to the target audience and to add value as well as to grab the reader's attentions.

(c) **Reference List and Attachment**

It refers to the third and the last section of the marketing plan report. This section lists all the reference and the material used to support the facts of the marketing plan report content. Reference can be prepared in two forms, either in a reference list or bibliography.

Reference list refers to the listing of all the reference made in preparing the marketing plan report. Bibliography on the other hand, lists all the reference that was used in the report and additional reference suggestion suitable as reading materials or as reference to the readers (even though they are not referred to in the preparation of the report content).

In brief, the marketing plan report formats that can be employed and are illustrated in Table 4.2.

Table 4.2: Summary of Suggested Format for Marketing Plan Report

| Section | Content |
|--------------------------|---|
| Pre-content | <ul style="list-style-type: none"> • Executive Summary |
| Content | <ul style="list-style-type: none"> • Introduction • Environmental Analysis • Statement of Vision and Mission • Designed Strategies • Designed Tactics • Control • Conclusion |
| Attachment and Reference | <ul style="list-style-type: none"> • Reference List • Supporting Material Attachment |

**EXERCISE 4.2**

1. List and explain all the main actions in the marketing plan report.
2. When do you need to prepare an executive summary?
3. How do you support the controversial arguments in the marketing plan report?
4. Explain the marketing plan report format that is systematic and effective.

SUMMARY

- Planning is the most important step in business.
- Planning can be divided into four important stages – corporate plan, unit or section, strategic business unit and product planning.
- All the planning structures need to be organised thoroughly, systematically and comprehensively so that all the ability and the opportunities can be exploited as optimum as possible by the organisation.
- In order to generate a systematic and comprehensive planning process, the organisation may use the strategic marketing planning or better known as the marketing plan.
- The organisation's success mostly depends on how far the organisation is able to develop a real strategic planning process that works.
- Many of the world's giant organisations have enjoyed tremendous success through the preparation of a systematic and comprehensive marketing plan.

KEY TERMS

| | |
|-------------------------------|------------------------------|
| Geographical scope | Marketing management process |
| Industrial scope | Market-segmentation scope |
| Mission | Strategic planning |
| Market tactics | Skill scope |
| Market environmental analysis | Use scope |
| Market control | Vision |
| Marketing plan | Vertical scope |
| Market-oriented | |