Lesson 9

STRATEGIC MARKETING PLANNING (PART-I)

Marketing Strategies

Strategy is the crafting of plans to reach goals. Marketing strategies are those plans designed to reach marketing goals. A good marketing strategy should integrate an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. The objective of a marketing strategy is to put the organization into a position to carry out its mission effectively and efficiently. Marketing strategies are dynamic and interactive. They are partially planned and partially unplanned.

Types of Marketing Strategies

Every marketing strategy is unique, but if we abstract from the individualizing details, each can be reduced into a generic marketing strategy.

- Strategies based on market Dominance - Typically there are four types of market dominance strategies:
  - o leader
  - o challenger
  - o follower
  - o nicher
- Innovation Strategies- This deals with the firm rate of new product development and business model innovation. It asks whether the company is on the cutting edge of technology and business innovation.

There are three types:
  - o pioneers
  - o close followers
  - o late followers
- Horizontal Integration
  - o vertical integration
  - o diversification (or conglomeration)
  - o intensification
- Aggressiveness Strategies - This asks whether a firm should grow or not, and if so, how fast.

  One scheme divides strategies into:
  - o building
  - o holding
  - o harvesting

Horizontal Integration

In microeconomics and strategic management, horizontal integration is a theory of ownership and control. It is a strategy used by a business or corporation that seeks to sell one type of product in numerous markets. To get this market coverage, several small subsidiary companies are created. Each markets the product to a different market segment or to a different geographical area. This is sometimes referred to as the horizontal integration of marketing. The horizontal integration of production is where a firm has plants in several locations producing similar products. Horizontal integration in marketing is much more common than horizontal integration in production

Vertical integration
In microeconomics and strategic management, vertical integration is a theory describing a style of ownership and control. Vertically integrated companies are united through a hierarchy and share a common owner. Usually each member of the hierarchy produces a different product, and the products combine to satisfy a common need.

Three types of Vertical Integration
There are three varieties of this: backward vertical integration, forward vertical integration, and balanced vertical integration.

- In backward vertical integration, the company sets up subsidiaries that produce some of the inputs used in the production of its products. For example, an automobile company may own a tire company, a glass company, and a metal company. Control of these three subsidiaries is intended to create a stable supply of inputs and ensure a consistent quality in their final product.
- In forward vertical integration, the company sets up subsidiaries that distribute or market products to customers or use the products themselves. An example of this is a movie studio that also owns a chain of theaters.
- In balanced vertical integration, the company sets up subsidiaries that both supply them with inputs and distribute their outputs.

Aggressiveness strategies (business)
Business strategies can be categorized in many ways. One popular method is to assess strategies based on their degree of aggressiveness. Aggressiveness strategies are rated according to their marketing assertiveness, their risk propensity, financial leverage, and product innovation, speed of decision-making and other measures of business aggressiveness.

Typically the range of aggressiveness strategies is classified into four categories:

- Prospector
- Defender
- Analyzer
- Reactor

Prospector strategy
This is the most aggressive of the four strategies. It typically involves active programs to expand into new markets and stimulate new opportunities. New product development is vigorously pursued and attacks on competitors are a common way of obtaining additional market share. They respond quickly to any signs of market opportunity, and do so with little research or analysis. A large proportion of their revenue comes from new products or new markets. The risk of product failure or market rejection is high. . Advertising, sales promotion, and personal selling costs are a high percentage of sales.

Defender Strategy
This strategy entails a decision not to aggressively pursue markets. A defender strategy entails finding, and maintaining a secure and relatively stable market. In their attempt to secure this

stable market they either keep prices low, keep advertising and other promotional costs low, engage in vertical integration, offer a limited range of products or offer better quality or service.

Analyzer

The analyzer is in between the defender and prospector. They take less risk and make fewer mistakes than a prospector, but are less committed to stability than defenders. Most firms are analyzers. They are seldom a first mover in an industry but are often second or third place entrants. They tend to expand into areas close to their existing core competency. Rather than expand into wholly new markets, they gradually expand existing markets. They try to maintain a balanced portfolio of products

Reactor

A reactor has no proactive strategy. They react to events as they occur. They respond only when they are forced to by macro environmental pressures. This is the least effective of the four strategies. It is without direction or focus.

