



“WHAT IS A STRATEGIC MARKETING PLAN, AND WHY SHOULD I CARE?”

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INTRODUCTION

The contents of this whitepaper were originally presented at the [University of Texas – San Antonio \(UTSA\) Institute for Economic Development](#) on May 17, 2007.

The presentation was entitled *The Strategic Marketing Plan and Marketing “Menu”*, and was one in a series of seminars held for budding entrepreneurs in association with the [San Antonio chapter Small Business Development Center \(SBDC\)](#).

Please feel free to post this on your blog or email it to whomever you believe would benefit from reading it.

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- Here's what you will learn about a Strategic Marketing Plan:
 - What it is...
 - Why it's important...
 - What it's made of...
 - How to make one...
 - How to use one...



WHY DO I NEED A MARKETING STRATEGY?

*Tactics without
strategy is the noise
before defeat.*



Sun Tzu (544BC-496BC)



A CURRENT EVENTS EXAMPLE

| April 2003 | US Military | Iraqi Military |
|------------|--|---|
| Objective | Defeat Iraqi Military | Deny US Military objectives |
| Industry | Support of government policy goals through the destruction of enemy's military capacity | Support of government policy goals through the destruction of enemy's military capacity |
| Strategy | Destroy the military and civilian infrastructure necessary to maintain the Iraqi Military's existence | Prevent or delay military occupation of Iraqi territory in order to buy time for UN intervention |
| Tactics | Use technology, mobility, and firepower to maximize destruction of enemy assets while minimizing US casualties | Use knowledge of the ground and fixed defenses to minimize Iraqi casualties and reduce the effect of US air supremacy |

Taking on the US Military at what it does best is a recipe for disaster.



A CURRENT EVENTS EXAMPLE

| May 2003-present | US Military | Iraqi Insurgency |
|------------------|---|--|
| Objective | <ul style="list-style-type: none"> Stabilize Iraqi society (?) Defeat insurgency (?) Train Iraqi security forces (?) | Force US Military to leave Iraq |
| Industry | Support of government policy goals through the destruction of enemy's military capacity | Prevent the normal function of government and society through violence and destruction |
| Strategy | <ol style="list-style-type: none"> First: kill/capture insurgents to disrupt operations and reduce support for their cause Later: project a constant security presence to demonstrate a commitment to reducing violence | Create a "Quagmire" - cause <u>the US public</u> to withdraw their support for the war |
| Tactics | <ol style="list-style-type: none"> First: use technology, mobility, and firepower to maximize destruction of insurgent assets while minimizing US casualties Later: use foot patrols and searches to reduce violence and disrupt insurgent operations | <ul style="list-style-type: none"> Use knowledge of the ground and low-tech weapons to inflict a steady stream of US casualties Goad the US into overreacting Encourage the perception that Iraq is consumed by violence, chaos and anarchy |

The Iraqi Insurgency chose not to "compete" against the US Military, instead selecting an "industry" that the US couldn't. / wouldn't compete in.



WHY DO I NEED A MARKETING STRATEGY? PART 2

Purpose of a Marketing Strategy

- To determine the most likely means to achieve success for a given competitive environment
- To decide upon the most appropriate activities in pursuit of success
- To provide a context and coherence to a wide range of activities



WHY DO I NEED A MARKETING STRATEGY?

- Benefits of a Marketing Strategy
 - Forced analysis and self-assessment
 - Understand your Industry and customers
 - Exploit your strengths, avoid your weaknesses
 - Detail your opportunities, prepare for threats
 - Evaluate your likelihood of success
 - Enforces a systematic view of marketing
 - Provides an objective benchmark to determine which activities should proceed – and which should not – and the reasons why



CREATING A STRATEGIC MARKETING PLAN

- 1 Identify a strategic objective
- 2 Understand your customer segment(s)
- 3 Select an Industry to compete in
- 4 Understand Industry's characteristics
- 5 Understand Your Firm's characteristics
- 6 Understand Your Firm's viability in the selected Industry
- 7 Identify Marketing Strategies
- 8 Identify Marketing Tactics



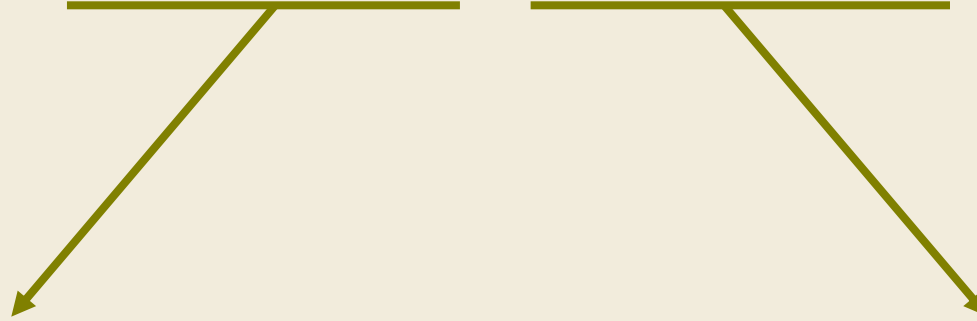
WHAT EXACTLY ARE WE TALKING ABOUT?

- Definition of an Objective
 - A measurable achievement
- Definition of a Strategy
 - A means to an end
 - The method for reaching a goal
 - A series of activities, which taken collectively, impact the success or failure of an effort
- Definition of a Tactic
 - Discrete activities, which taken individually, do not have the ability to impact the success or failure of an effort



WHAT DO YOU WANT TO ACCOMPLISH?

Strategic Objective




- Must be meaningful
- Strategic – able to impact the success or failure of an effort

- Must be measurable
- Objective – a goal whose achievement is able to be “objectively” determined




WHO IS GOING TO BUY YOUR PRODUCT?

- What is your customer *really* like?
- Why do they need your product?
- What product choices do they have?
- Who is involved in their purchase decision?
- How do they arrive at a purchase decision?
- Where/how do they purchase similar products?



INDUSTRY SELECTION – WHAT’S YOUR GAME?

- One way to think about naming your Industry (or Market)
 - What type of “store” would your customers go to purchase your product or service?
 - What “section” of the “store” would your product or service be found?
 - What other products or services in that “section” would be competing for your customer’s dollar?
- Too vague, too specific, or just right?
 - Too vague: your product or service is lost in a Wal-Mart of galactic proportions
 - Too specific: your product or service sits alone on a shelf in a back-alley shop
 - Just right: your product or service shares the shelves with a variety of others – related by a common theme and all clamoring for your customer’s dollar



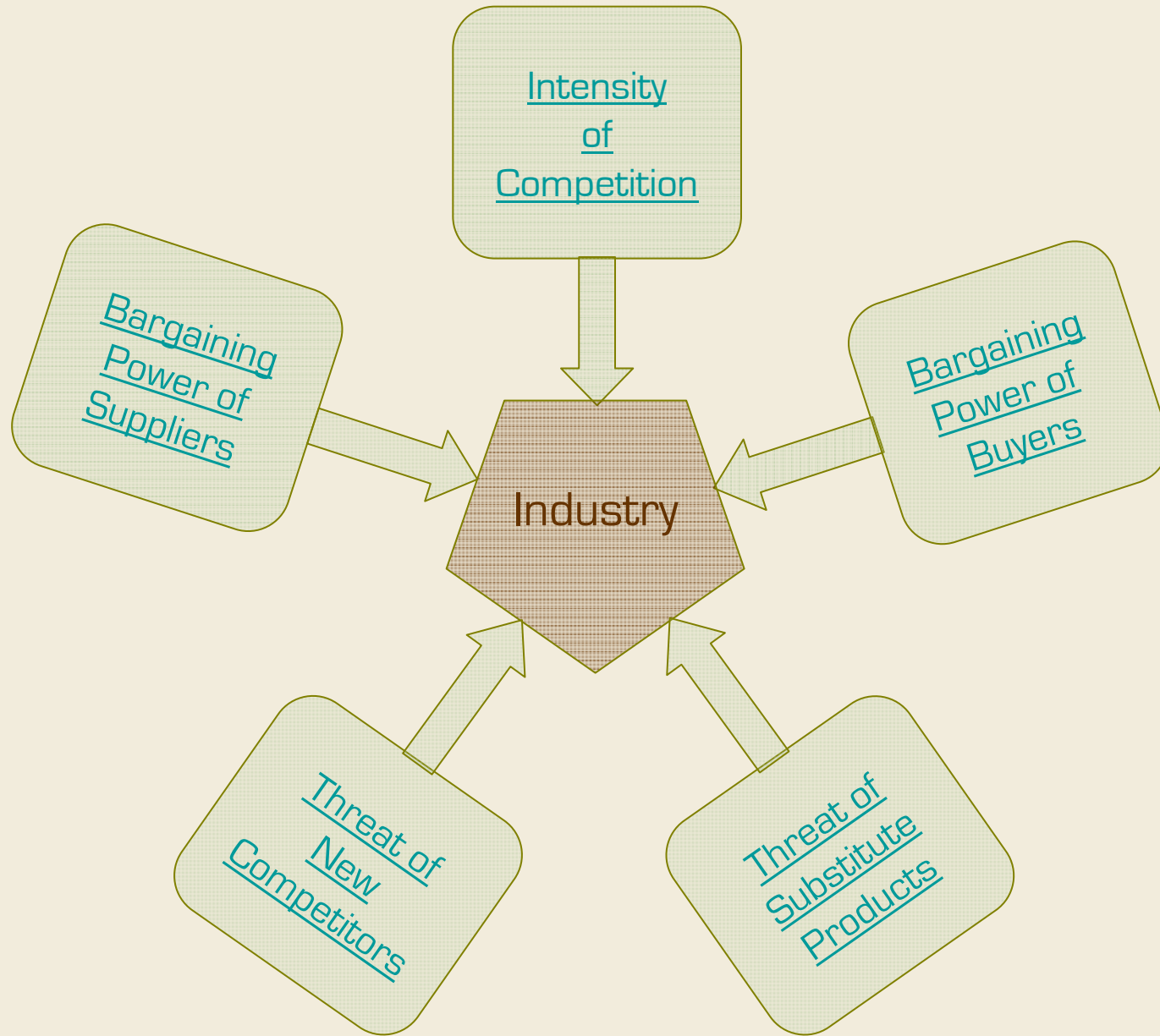
INDUSTRY SELECTION – WHAT’S YOUR GAME?

- What are the implications of selecting that Industry?
 - Who would your competitors be?
 - Would defining ourselves in that Industry make sense to your customers?
 - Are you better off competing in other Industries instead?
 - How would defining yourself in other Industries change the competitive landscape?



HOW CAN WE DESCRIBE THIS INDUSTRY?

Porter 5-Forces Model





BARGAINING POWER OF SUPPLIERS

- Supplier concentration-to-Firm concentration ratio
- What type of bargaining leverage do Suppliers have?
 - Is volume important to supplier?
 - Supplier switching costs relative to Firm switching costs
 - Do “inputs” vary from among Suppliers?
 - Can the Firm substitute “inputs”?
 - Cost of inputs relative to selling price of the product
- Threat of forward integration by Suppliers relative to the threat of backward integration by Firms



BARGAINING POWER OF BUYERS

- Buyer concentration-to-Firm concentration ratio
- What type of bargaining leverage do Buyers have?
 - Can Buyers command volume discounts?
 - Buyer switching costs relative to Firm switching costs
 - Buyer information availability
 - Can the Buyer substitute another product, even if it's not identical?
- Can the Buyer possibly make what the Firms are selling?
- Buyer price sensitivity
 - Are Buyers in a position where “every penny counts”?
 - Does the amount of the total purchase offer the Buyer any room to negotiate?



THREAT OF NEW COMPETITORS

- How easy is it for new competitors to enter Industry?
 - Does it take a lot of resources to enter this Industry?
 - Would new competitors face costs that existing competitors don't?
 - Do existing competitors have knowledge that new competitors must learn in order to effectively compete?
 - Do government policies promote or discourage competition?
 - Are there restrictions to distribution that new competitors must face?
- Is there an opportunity to charge for value-added?
- Do existing competitors have significant brand equity? Is the market fragmented with no established leader?
- How painful is it for a Buyer to switch Firms or products?
- Will existing competitors ferociously respond to a new competitor?



THREAT OF SUBSTITUTE PRODUCTS

- Is the Buyer willing to select from other products, even if they are not identical?
- Are substitute products priced approximately the same as other competitive offerings?
- How painful is it for a Buyer to switch Firms or products?
- Does the Buyer perceive differences between competitive offerings?
- Are there actual and significant differences between competitive offerings



INTENSITY OF COMPETITION

- Is competition concentrated among a few Firms?
- Is the Industry growing rapidly enough to satisfy competitors?
Or do they fiercely compete for market share in order to grow?
- Do high exit barriers encourage a fight to the death?
- Do competitors come in many different shapes, sizes, and geographic locations?
- Is it possible to gain a competitive advantage through IP and trade secrets?
- Do competitors need to carry significant support and overhead costs?
- Do competitors need to continually run promotions and special offers to avoid competitive loss?



PORTER 5-FORCES MODEL EXAMPLE

| | |
|----------|--|
| Firm | Online Marketing Application |
| Buyer | Small-to-mid sized businesses that are focused on <u>growth</u> |
| Industry | <p>“A Buyer would look for this product in a ‘Business Tools’ store, where business tools are defined as <i>any capacity, capability, or knowledge</i> that a business would use to operate.”</p> <p>“Buyers visiting this fictional store would find this product in the ‘Tools for Businesses that want to Grow’ aisle.”</p> |



PORTER 5-FORCES MODEL EXAMPLE

Competitive Offerings

- Information
 - “How to” for marketing or sales
 - Market research
 - Mail or email lists
 - Organizations, affiliations, and alliances
- Professional services
 - Advertising agencies
 - Consultants
 - CPAs
- e-Tools
 - CRM tools
 - e-Commerce tools
 - e-Loyalty tools
 - e-Communication tools
 - Website content management tools



PORTER 5-FORCES MODEL EXAMPLE

Bargaining Power of Buyers

- ⬇ Many more Buyers than Firms
- ⬇ Low Buyer purchase volume
- ⬇ Much more pain for the Buyer to switch Firms, than for a Firm to lose a customer
- ⬇ Impractical for Buyers to create these tools for themselves
- ⬆ Large amounts of available pricing and product information
- ⬆ Many substitute products available

Conclusion: Buyers have virtually no bargaining power beyond comparison-shopping among many different options.



PORTER 5-FORCES MODEL EXAMPLE

Conclusion: Practically speaking, there are no suppliers for this product other than creators of IP. These suppliers have virtually no bargaining power, especially in a flat world.



PORTER 5-FORCES MODEL EXAMPLE

Threat of New Competitors

- ↑ Easy to enter market - entering and competing requires relatively little capital
- ↑ Opportunity to demand higher prices for superior products and value-added
- ↑ Market is fragmented with no acknowledged leader
- ↑ Market is both under-served and growing, encouraging competitors to coexist rather than compete fiercely

Conclusion: Given the wide-open nature of this market, and the ease of competing within it, the threat of new competitors is a certainty. Should Google, Yahoo!, or Adobe decide to get behind this in a big way, they could conceivably run the table.



PORTER 5-FORCES MODEL EXAMPLE

Threat of Substitute Products

- ⬆ The entire market consists of substitute products!
- ⬆ Buyer is more than willing to select from other products or product categories
- ⬆ There are significant differences between competitive offerings, it's just not at all clear that buyers perceive the differences between them

Conclusion: With the plethora of poorly defined, poorly understood offerings in this market, the threat of substitution is enormous.



PORTER 5-FORCES MODEL EXAMPLE

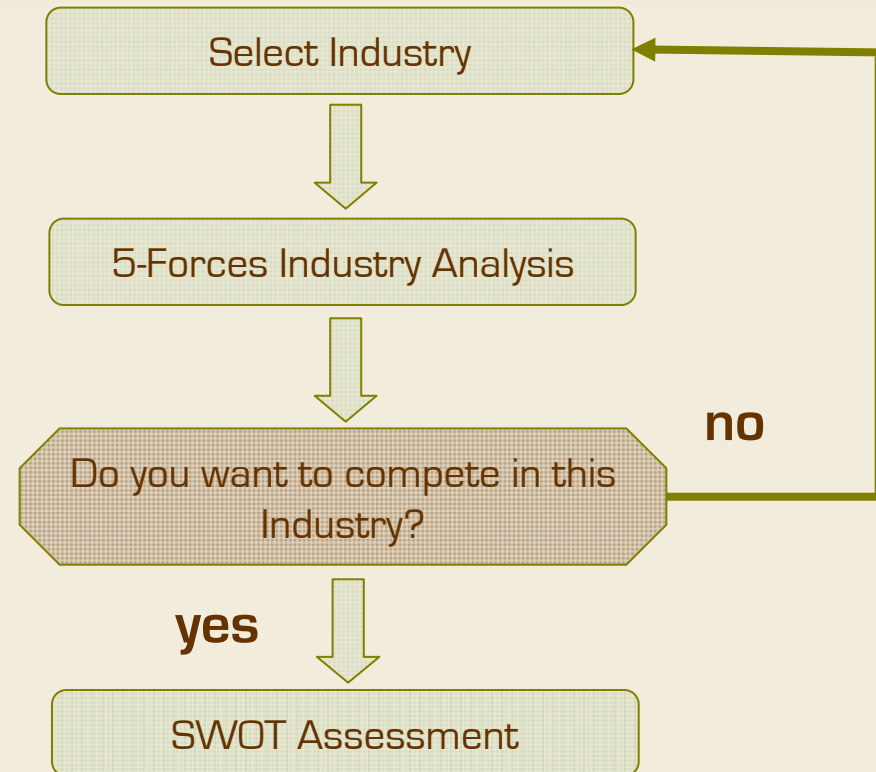
| | |
|--------------------------|--|
| Intensity of Competition | <ul style="list-style-type: none">↓ Competition is spread among many firms, diluting the intensity of competition↓ Market is both under-served and growing, encouraging competitors to coexist rather than compete fiercely↓ Low exit barriers encourage competitors to leave rather than fight to the death |
|--------------------------|--|

Conclusion: With many competitors and an under-served and growing market, competition is mild as competitors concentrate their efforts on growth.



IT'S GUT-CHECK TIME

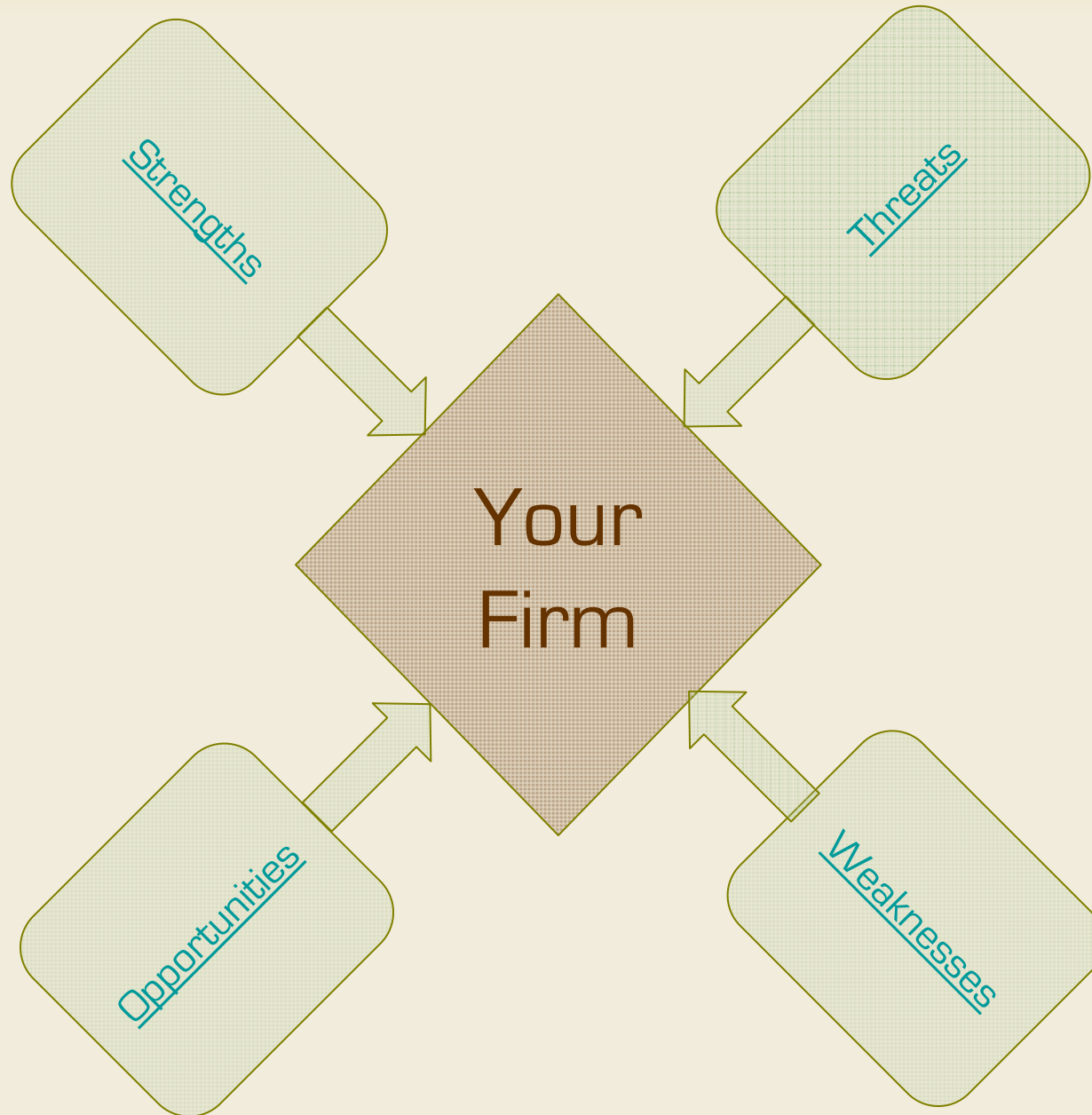
- You know your Customer
- You know your Industry
- Is this an Industry that you want to compete in?





LOOKING YOURSELF IN THE MIRROR

SWOT Model





STRENGTHS AND WEAKNESSES (INTERNAL)

- Strengths - characteristics of the Firm that increase the probability of success
- Weaknesses - characteristics of the Firm that decrease the probability of success
- Both must be within the Firm's control



OPPORTUNITIES AND THREATS (EXTERNAL)

- Opportunities - Industry conditions and trends that increase the probability of success
- Threats - Industry conditions and trends that decrease the probability of success
- Both are outside of the Firm's control



SWOT EXAMPLE

STRENGTHS

- Organizational
 - In-house marketing/e-marketing expertise
 - In-house design and production resources
 - In-house software developers
 - Information-rich on customers' use of product
- Product
 - Scalable architecture
 - Stable and reliable platform
 - Superior technical design
 - Flexible and easy to use
 - Inherently search-engine friendly

WEAKNESSES

- Organizational
 - Limited ability to scale marketing/e-marketing expertise
 - Limited sales channel
 - Understaffed
 - Financially fragile
 - No brand equity
 - Insufficient marketing, advertising, sales support, or user training tools
- Product
 - Difficult to communicate benefits of key product differentiators
 - Look-and-feel of user interface unsophisticated

OPPORTUNITIES

- Market is undeveloped and underserved
- Rising postal rates increase attractiveness of e-Marketing
- Increasing internet and broadband penetration
- e-Marketing to mobile phones offers an untapped media within the US
- The Apple iPhone, with HTML capability, will revolutionize the way marketing messages are delivered to mobile phones

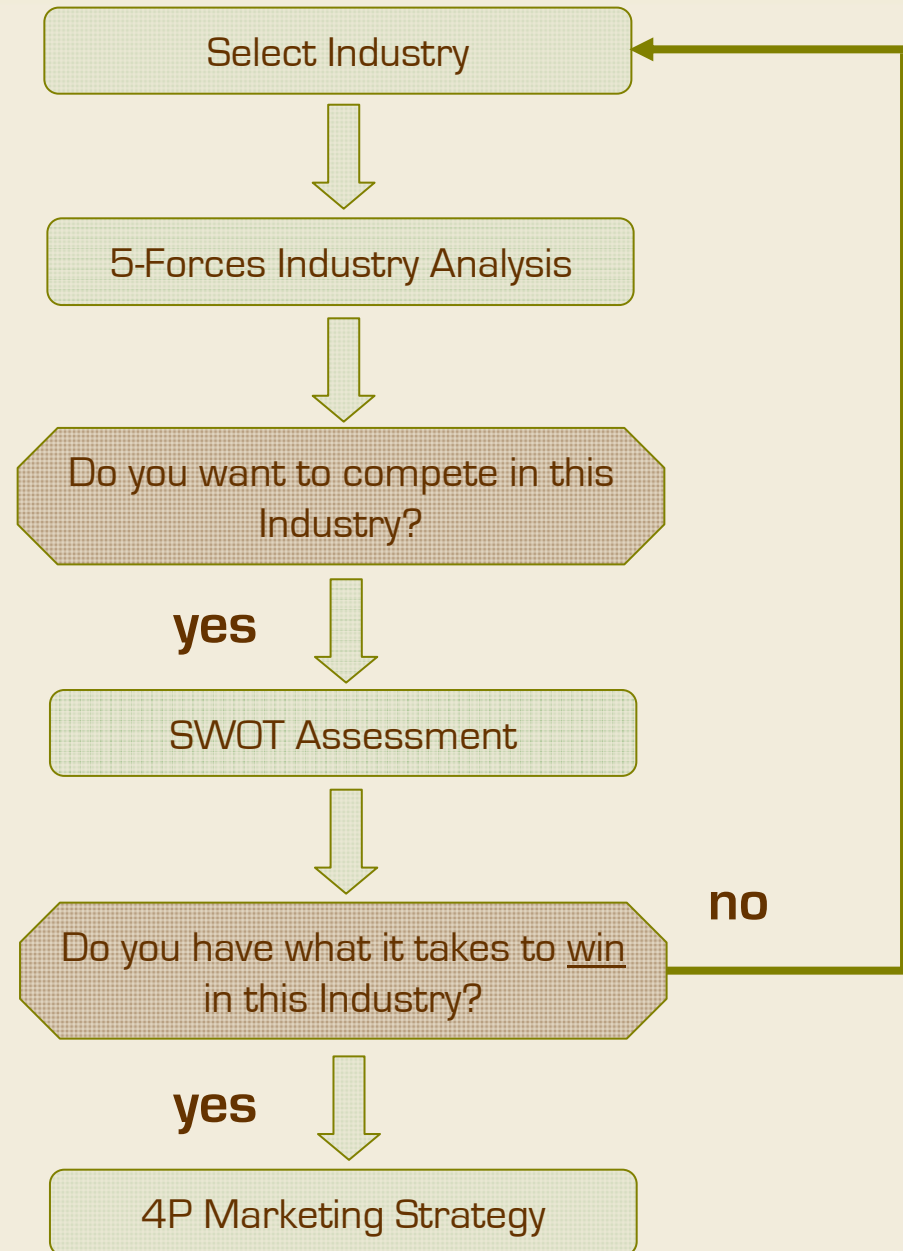
THREATS

- Investors decide not to provide additional capital
- A powerful brand horizontally integrates into market:
 - Macromedia leverages its position with advertising agencies
 - Google or Yahoo! integrates its piecemeal offerings
- Increased privacy or e-Mail regulations could stifle e-Marketing



IT'S GUT-CHECK TIME, AGAIN

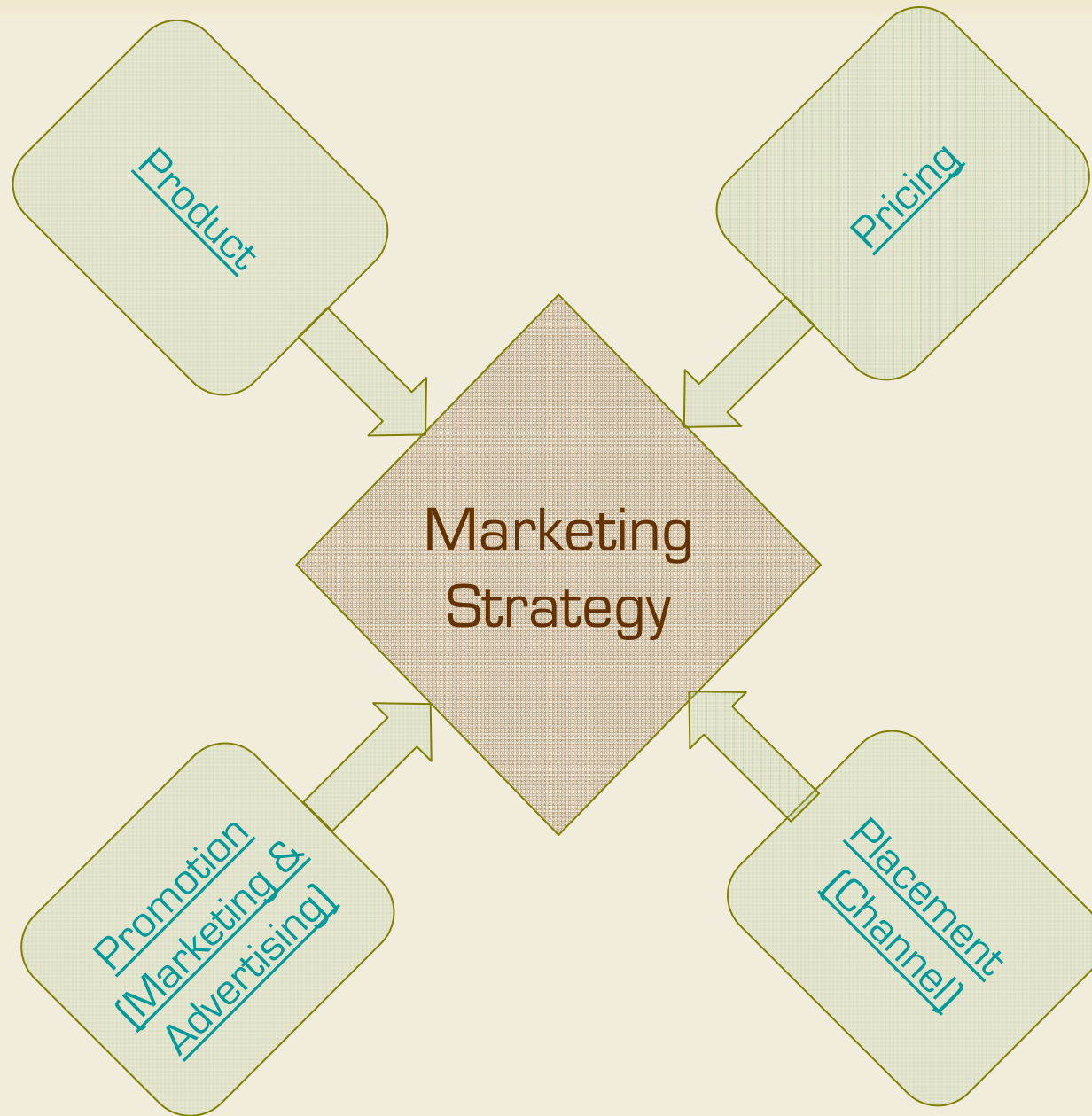
- You know your Customer
- You know your Industry
- You know your Business
- Do you have what it takes to win in this Industry?





CREATING A MARKETING STRATEGY

4Ps of Marketing





- Essentially Product Management and Product Marketing functions
- Includes the current – and future development of - specifications, features, and benefits of the actual product or service
- Example
 - “Once our software application for plumbers has been developed and introduced in the market, we will use the infrastructure to create similar applications for electricians, carpenters, and roofers.”



- Refers to the process of setting prices, pricing structures or plans, for products and services
- Includes discounts, bundles, and promotional offers
- Example
 - “To encourage adoption of our new subscription service, we will raise prices on the older version of the service - increasing margin on the “laggards” while encouraging migration to the new service.”



PLACEMENT (CHANNEL)

- How and where will Buyers find your product?
- Different markets require different channels
- All channels have benefits and costs
 - Direct Sales
 - Benefits - keep more margin
 - Costs - fixed-costs of personnel and sales support
 - Retail Distribution
 - Benefits - minimize overhead and fixed-costs
 - Costs - lose significant margin on every sale
- Example:
 - “We will sell our product through a combination of Resellers and Alliance Partners, until demand justifies investment in a Direct Sales effort.”



PROMOTION (MARKETING & ADVERTISING)

- This is what is typically thought of as “Marketing”
- The various methods of marketing a product, brand, or Firm to Buyers
- Includes advertising, sales promotion, retail promotion, publicity, direct sales, etc.
- Example:
 - “We will use a combination of direct marketing, guerilla marketing, and peer-to-peer marketing to promote our car detailing service to target households in Alamo Heights.”



GETTING YOUR MESSAGE OUT

Marketing Tactics

- Mass Media
 - TV
 - Radio
 - Print
 - Outdoor
 - Online
- Direct Marketing
 - Direct Mail
 - E-Mail
- Tradeshows
- Event Marketing / Sponsorships
- Strategic Alliances



GETTING YOUR MESSAGE OUT

Marketing Tactics

- Public Relations
 - Press Releases
 - Proactive story placement
 - Media resource
 - Public speaking
- Guerilla Marketing
 - Doorhangers
 - Yard signs
 - Feet on the Street



JUST BECAUSE IT ISN'T ROCKET SCIENCE...

... doesn't mean that just anyone can do it

- Your business is your baby - right?
- So... if your newborn baby was seriously ill and needed an operation, would you:
 - a. Take her to the best pediatric surgeon you could find? or
 - b. Take her to a podiatrist friend of your brother-in-law's, who will give you a good deal on the surgery?

WITH ADVERTISING, YOU GET WHAT YOU PAY FOR.
AND IT SHOWS.



SUMMARY AND CONCLUSIONS

- Identify your objective
- Understand your customer(s)
- Identify and assess your Industry(s)
- Assess your Firm's ability to compete within the Industry(s)
- Develop your 4P Marketing Strategy
- Identify the tactics to pursue these strategies
- Hand the plan over to a professional to execute



NOTES AND REFERENCES

University of Texas – San Antonio (UTSA) Institute for Economic Development

<http://www.utsa.edu/About/CommunityImpact/economicdevelopmentcenters.html>

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