

# 15 Marketing strategy

## Definition

Marketing strategy is a carefully evaluated plan for future marketing activity that balances company objectives, available resources and market opportunities. It is implemented through the marketing mix.

Linked to: Market research, Ch 3; Market positioning, Ch 4; Product and service design, Ch 10; Pricing strategies, Ch 12.

## 15.1 What are the keys to a successful marketing strategy?

A strategy is the plan of the medium-to-long-term actions required to achieve the company goals or targets. Selecting the best marketing strategy means finding a fit between the company objectives, customer requirements and the activities of competitors.

The aim of this planning is to shape the company's activities and products to generate the best returns for the business. Marketing strategy is about adding value. It takes advantage of any unique selling points. It helps the business to identify the right mix between design, function, image and service.

### Strategy is about the future

The term 'strategy' implies looking to the future. It is important not to look at what is working well now but at what the future prospects are. Toyota recognised that there was a growing interest in environmental issues. It started to invest in the production of hybrid cars. Although requiring significant investment with no sure return, Toyota executives felt that this was the way forward. The move was highly successful, with global sales of more than four million cars by the end of 2014.

### Strategy must be achievable

Strategy is concerned with what is possible, not just desirable. It must take into account market potential and

company resources. The company needs to recognise its own limitations and potential. It also needs to consider economic and social circumstances. If the world economy is weakening, firms will be much more cautious about entering new export markets. If the home market is stagnating, businesses may well concentrate on lower-priced 'value' products.

### Strategy is company specific

Each company will have a different marketing strategy. The strategy selected will reflect the individual circumstances of the business. Within the same industry, one company may be aiming to increase market share while another looks for cost reductions in order to compete on price. The tyre industry is a good example of this. The market leaders were faced with increasing price competition from developing countries. They had to develop new marketing strategies. Their responses differed: Goodyear reduced costs; Michelin put its effort into innovation and widened its product range; Pirelli decided to concentrate on the market for luxury and speed.

Marketing strategy is the marketing plan of action that:

- contributes to the achievement of company objectives
- finds the best fit between company objectives, available resources and market possibilities
- looks to the future
- is carefully thought out
- is realistic.

## Real business

### New strategy at Morrisons

Faced with a 7 per cent decline in like-for-like sales in the early months of 2014, supermarket chain Morrisons announced a major switch in marketing strategy. For several years leading up to May 2014, Morrisons had focused TV advertising on its concept of 'Market Street' – focusing on

the fresh food stalls at the entrance to the stores. Presented by TV stars Ant and Dec, this advertising campaign was suddenly thrown to one side. Now the focus was to be 'I'm cheaper', with the new slogan backed by the media announcement of 'biggest ever' price cuts.

Cynics regarded the announcement of this new marketing strategy as a desperate attempt by Chief Executive Dalton Phillips to keep his job. Others saw it as a logical response to the market share gains achieved by the German discounters Aldi and Lidl. Phillips told the press: 'We are confident that these meaningful and permanent reductions in our prices will resonate strongly with consumers.'

## 15.2 Marketing strategy for mass markets

To succeed in a mass market, a brand needs to be differentiated in a way that makes it interesting but not niche. In the UK chocolate market, Cadbury Dairy Milk is the dominant force, with annual sales of £500 million. But Galaxy is also a mass market force, with sales of just over £200 million. Cadbury's marketing strategy is easy: it simply promotes Dairy Milk as an iconic brand – everyone knows where it sits at the heart of the chocolate market. Mars (owners of Galaxy) positions Galaxy as special and smooth, but has to beware of making it a special-occasion-only brand (lots of prestige, but much lower sales than a brand for everyday).

If a brand succeeds in the mass market, it can enjoy:

- distribution levels of close to 100 per cent (i.e. all shops want to stock it)
- control over advertising and promotion (retailers cannot force the market leader's hand); in the year to 30 June 2014, Cadbury spent nothing on Dairy Milk, while Galaxy had a spend of more than £10 million; Dairy Milk sales rose 5.5 per cent by value during that period
- a degree of control over pricing, though it can never get too greedy – because it is the mass market.

'There is no victory at bargain basement prices.'

Dwight D. Eisenhower, US General, then President

## Real business

Both McVitie's Jaffa Cakes and Burton's Jammie Dodgers are well-known biscuit brands, but the former is distributed in 90 per cent of retail outlets, whereas the latter is in only 64 per cent. Both companies have a similar view of the right outlets for their products (for example, supermarkets, corner shops, garages, canteens and cafés), so why may Burton's be losing out to McVitie's in this particular race? Possible reasons include the following.

- Jaffa Cakes have higher consumer demand; therefore, retail outlets are more willing to stock the product.
- Jammie Dodgers may have more direct competitors; high **product differentiation** may make Jaffa Cakes more of a 'must stock' line.
- If Jaffa Cakes have more advertising support, retailers know customers will ask for the product by name while the advertising campaign is running.

## 15.3 Marketing strategy for niche markets

A niche within the confectionery market is for chewing gum. Some niches have several brands competing on equal terms, but the £300 million UK chewing gum market is dominated by Wrigley. In the year to June 2014, Wrigley (owned by Mars) had a 92.5 per cent market share! When Cadbury decided to break into this niche, it launched a range of different flavours under the brand name Trident. Cadbury boasted that it would be looking for £20 million of sales growth each year for the first five years. As you can see in Figure 15.1, the launch year of 2007 was a success, but if Cadbury looked back at this venture they would realise that it was a waste of their money and time.

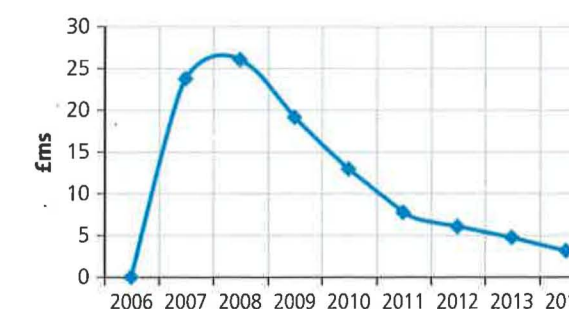


Figure 15.1 Sales of Trident chewing gum (source: The Grocer magazines, 2007–2014)



Often, marketing within niche markets needs a patient approach. Customers within niches are often experts on the product category and may be very choosy. So a great deal of marketing focuses on reinforcing the distinctive characteristics of each product. In the super-premium sector of the ice cream market, Ben & Jerry's combination of quirky flavours and social responsibility has helped it win a battle against Häagen-Dazs.

## 15.4 Marketing strategy for business to consumer markets (B2C)

The key to successful marketing is that every element in the mix should be co-ordinated towards delivering a marketing strategy that fits in with the marketing objectives. This is relatively easy to think through in relation to a business that targets the consumer (B2C). Whether it is a product or service, the consumer expects a reality that conforms to the image and therefore delivers value for money. In many cases, the image itself may be at the heart of the proposition. If so, keeping that image vibrant and distinctive may be a critical focus of the marketing mix.

*'Don't sell the steak, sell the sizzle.'*

Advice on advertising from Elmer Wheeler, US business writer

## 15.5 Marketing strategy for business to business markets (B2B)

B2B means selling to other businesses, be they retail distributors or businesses that have no direct connection with the public, such as a chemical refinery or a sawmill. The key aspect of B2B marketing strategy is that there tend to be different priorities. Consumers buy with a lot of emotion. We love Cadbury because it was a big treat as a kid; we love Apple because it makes us look cool (and wealthy!). Businesses try to buy with no emotion whatever. They want to buy the best product for the best price with the best and most reliable service. So glossy advertising becomes less important. The key is understanding the business customer's needs – and meeting them.

A producer of sandwiches for the consumer market might gain a huge order to feed the staff daily at a nearby sawmill

employing 800 people. This B2B order carries the financial disadvantage that the customer will want to pay on credit (perhaps 60 days), which hurts the supplier's cash flow. It also switches the marketing priorities. Instead of smiley customer service being a priority, the sandwiches have to be delivered by a certain time, to a specified quality – and there will be no acceptable excuses for failure.

### B2B and the marketing mix

- In some cases companies will be selling **homogenous goods** to other businesses, e.g. 10 litres of white paint or 5,000 light switches. This will make price the most important element in the mix.
- A business such as Rolls-Royce Motors needs thick, blemish-free soft leather for making the car seats; in this case, product will be the key to successful sales.
- Nissan UK wants its most important suppliers right next to its Sunderland car factory, so that they can deliver on a just-in-time basis (see Chapter 43). This makes place the most important part of the mix.
- Unless you are an iconic brand, such as Marmite, to keep shelf space in big supermarket chains requires producer/suppliers to fund regular price or 'BOGOF' promotions. In this case, promotion is the key.

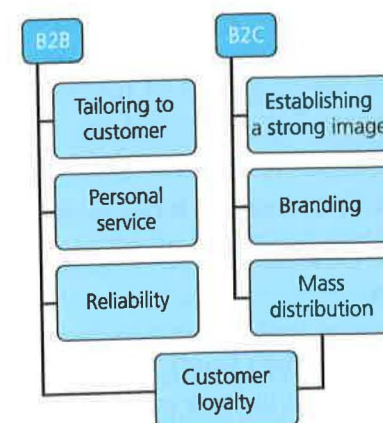


Figure 15.2 Logic chain: B2B v. B2C

## 15.6 How businesses develop customer loyalty

Customer loyalty implies more than repeat purchase. It suggests a real emotional connection, as a football supporter might have with his or her team. That connection may be based on something like love, or on faith, as in 'I trust Colgate'. Other connections may be a bit looser, but still important, as with liking to wear Nike or eat Nando's.

The heart of this connection has to be the product/service itself. Going to Nando's is partly about the menu, partly about the quality of the food and partly about the relaxed, youthful but efficient service. You go out feeling better than when you went in. So you come back. The starting point, therefore, is to really study your customers – and make sure that every aspect of the customer experience works for them.

*'The first step in exceeding your customer's expectations is to know those expectations.'*

Roy H. Williams, author and marketing consultant

Yet customer loyalty is about much more than the product. It is often said that, in blind tests, people prefer Pepsi to Coke. Yet Coke outsells Pepsi 5–1 in the UK. In this case, the emotional connection is probably one established in childhood: Coke manages to persuade kids that Coke is associated with Christmas, summer holidays, special occasions and happiness generally. That is highly skilful (if manipulative) advertising and promotion.

In the short term, marketing may be about shifting products; in the long term, it is usually rooted in creating the right image to appeal to the right target market. This is why qualitative research is so widely used by firms.

*'There is only one boss. The customer. And he can fire everyone in the company from the chairman on down, simply by spending his money somewhere else.'*

Sam Walton, founder of Walmart

## Five whys and a how

Questions	Answers
Why is the marketing mix such an important part of marketing strategy?	Whereas the strategy is the background thinking, the mix is how you put those thoughts into a plan of action through product, price, promotion and place.
Why is strategy always about the future?	Because it is a thinking process about what needs to happen next. It may draw lessons from the past, but its direction is the future.
Why is strategy always 'company specific'?	Because every company is different, with a different culture and different customer expectations.
Why may Trident gum disappear from shops fairly soon (see Figure 15.1)?	Its sales path is so dismal that it will surely soon be withdrawn from sale (it's a 'dog').
Why may marketing B2B require a different strategy to B2C?	Because business customers care less about brands/images and more about reliability and good service.
How might Aldi or Lidl act to build long-term customer loyalty?	Keep working frantically on having the lowest prices yet good quality; switching strategy to posher, carpeted stores would be a big mistake.

## 15.7 Marketing strategy – evaluation

The most important marketing strategies are the long-lived ones. 'Have a break, have a KitKat' started in the early 1990s and served well for 20 years. It not only became a promotional strategy but also influenced the product as well, making multi-packs more relevant, as people could hand out KitKats to co-workers or kids. Even longer lived is Audi's phrase, used worldwide, 'Vorsprung durch Technik' ('advancement through technology'), which was first used in 1982 in UK advertising. In 1982, Audi was just a producer of mass market cars; brand owner Volkswagen's 1990s decision to push the brand upmarket fitted in with the positive imagery created by the advertising.

Brand owners and their advertising agencies are always looking for a strategy 'with legs' – that can last decades rather than years. Weak exam answers see marketing as a series of quick fixes; marketing strategy should always be seen as a key part of far-sighted business practice.

### Key terms

**Homogenous goods:** these have no points of differentiation and therefore each one is the same as every other (making competition focus on price).

**Product differentiation:** the extent to which consumers perceive your brand as being different from others.



## 15.8 Workbook

### Revision questions

(35 marks; 35 minutes)

- 1 What is marketing strategy? (2)
- 2 What is a unique selling point? Give two examples. (4)
- 3 Explain how one of the following products is differentiated from its rivals:
  - a) Marathon chocolate bar
  - b) Microsoft Xbox One
  - c) Heinz Tomato Ketchup. (4)
- 4 Outline two pieces of quantitative data that might help a business develop its marketing strategy. (4)
- 5 Why is it important for a firm to examine its internal resources before deciding on a strategy? (3)
- 6 How does marketing strategy relate to the objectives of a business? (4)
- 7 Outline two advantages of niche marketing over mass marketing. (4)
- 8 Give three reasons why a large firm may wish to enter a niche market. (3)
- 9 Explain why small firms may be better at spotting and reacting to new niche-market opportunities? (3)
- 10 Outline two reasons why average prices in niche markets tend to be higher than those charged in most mass markets. (4)

### Data response 1

#### Morrisons' marketing strategy

In the 12 weeks to 30 March 2014, sales at UK grocery discounter Aldi rose by 35.3 per cent, while at rival Morrisons they fell by 3.8 per cent. This compounded a wretched two-year period for Morrisons – the worst since Dalton Phillips took over as chief executive in January 2010 (see Figure 15.3). On 8 May 2014, the *Daily Telegraph* reported that:

'The supermarket chain slashed the price of 1,200 lines by 17 per cent last week to counter the rise of the discounters and to reignite its two-year attempt to report like-for-like sales growth. "I'm very confident we are doing the right things," Mr Phillips said. "My job is to make big, bold decisions. The proof will be when there are more items in more baskets; how could it not be the right strategy to tackle this on price?"

Sainsbury's outgoing chief executive, Justin King, accused Morrisons of "playing catch-up" in lowering prices and said customers were enticed by ethically sourced products rather than simply price.'

Later, Phillips said that shareholders would 'hold our feet in the fire' if the price-cutting strategy proved unsuccessful, but he was convinced that this was the right long-term positioning for Morrisons.

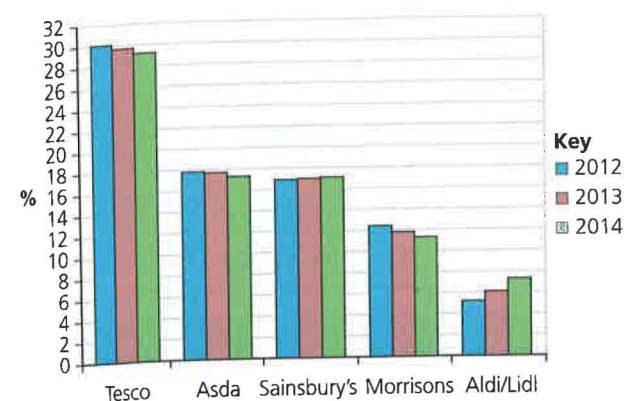


Figure 15.3 UK grocery market share, 2012–2014 (source: Kantar Worldpanel)

#### Questions (25 marks; 30 minutes)

- 1 Explain why price cutting in this case can be called a strategy rather than a tactic. (4)
- 2 Outline two factors that may determine whether Morrisons' 2014 strategy proves successful. (5)
- 3 Explain one possible weakness in the strategy as outlined in the data provided. (4)
- 4 In Morrisons' circumstances, assess the probable effectiveness of its new marketing strategy. (12)

### Data response 2

#### Apple's cash machine

The Apple iPod was launched in 2001, into a market dominated by Sony. For a company based on computers, the move into personal music appeared risky. As the graph in Figure 15.4 shows, sales grew slowly; iTunes was launched in 2002 but only in late 2004 did iPod sales move ahead dramatically. This was partly due to the launch of the iPod Mini, but also coincided with the start of the brilliant 'silhouette' advertising campaign. In fact, Apple has handled iPod's marketing strategy very cleverly.

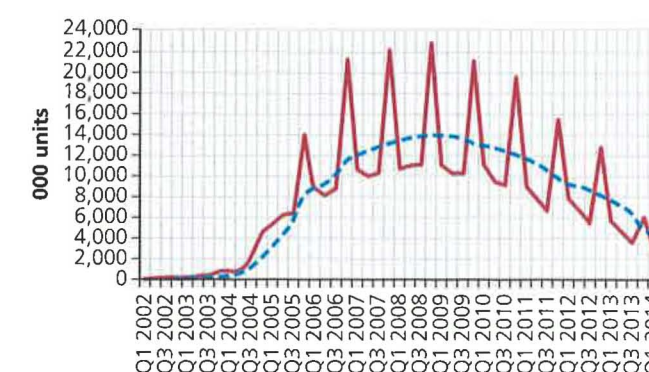


Figure 15.4 Worldwide iPod sales volume (three-monthly periods) (source: Apple Inc accounts)

#### iPod marketing mix

- **Product:** quick product development, from iPod 2001 to iPod Mini 2003, iPod Photo 2004 to iPod Shuffle 2005, and the iPod Touch in late 2007 and iPod Touch 4g in late 2010. As with all its competitors, the iPod is made (very cheaply) in China, so the key to its success is the stylish design, not high-quality manufacture.
- **Price:** always startlingly high; at launch, the iPod was over £200; even in 2014 prices for the iPod Touch were as high as £329, whereas other MP3 players cost as little as £20. Apple has managed the business dream of achieving market penetration at prices that skim the market.

### Extended writing

- 1 Evaluate the quote by former President Eisenhower: 'There is no victory at bargain basement prices.' (20)
- 2 Evaluate the proposition that 'Marketing strategy can be successful only if a firm has set the right objectives.' (20)

- **Place:** nothing new here; Apple has distributed the iPod through the normal mixture of department stores, electrical shops and online retailers.
- **Promotion:** brilliant and lavish use of posters and TV, featuring one of the all-time great images, the 'silhouette'.

The key to the strategy has always been to achieve high credibility through brilliant design and a non-corporate image. Consumers have tended not to notice that the iPod is an amazing cash machine. In the year to March 2014, the revenues generated by iPod and iTunes came to \$19,960 million.

#### Questions (40 marks; 50 minutes)

- 1 a) What is meant by the term 'product life cycle'? (2)



Figure 15.5 iPod

- b) Assess what Figure 15.4 shows about iPod's product life cycle. (8)
- 2 Assess which of the elements of iPod's marketing mix have been the most important in its sales success. (10)
- 3 Given the business's success with the iPod, iPhone and iPad, evaluate whether Apple should now make a move towards the games console business, competing with Nintendo, Sony and Microsoft. (20)



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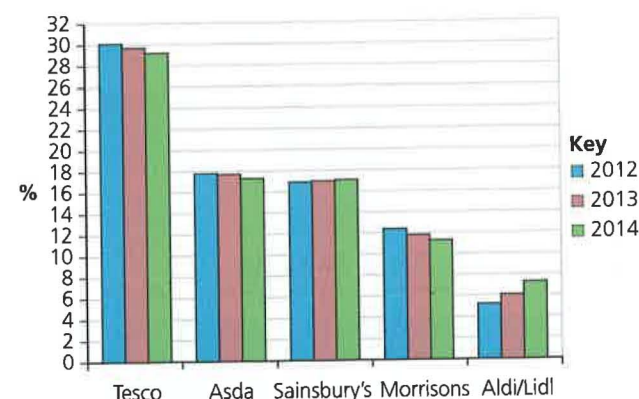


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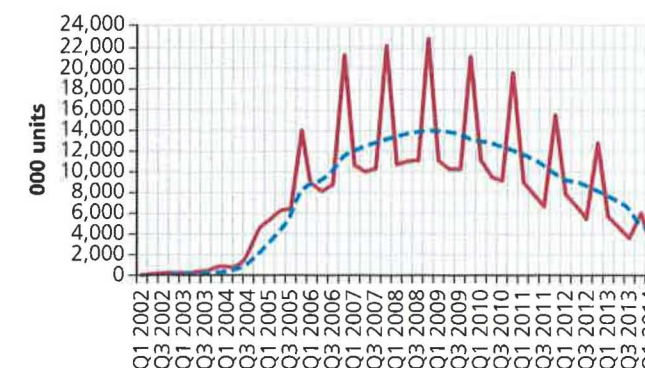


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