Chapter Summaries

# Chapter 1 – Strategic marketing: analysis, perspectives, and blueprint

## Introduction

Strategic Marketing is a construct that lies at the conceptual heart of the field of marketing and is central to the practice of marketing (Morgan, Whitler, Feng and Chari, 2019). It is the area within which many of the current difficulties and challenges identified by marketers arise. Overall, across many markets, the strategic marketing domain has grown very rich with data, frameworks, and analyses that have enabled marketers to craft and execute effective marketing strategies, however, and this is a paradox, they simultaneously represent potential barriers to strategy formation due to their diversity and complexity (Palmatier and Crecelius, 2019). Strategic marketing acumen is about having the ‘marketing smarts’ or ‘marketing sense’.

## Strategic marketing: definitions, role, and capabilities

Originally, the word strategy comes from the Greek word strategos, strictly meaning a general in command of an army; it is formed from ‘stratos’, meaning army and ‘ag’, meaning to lead. Therefore, the concept of ‘strategy’ was first introduced and defined in the ancient military dictionaries. Strategy is defined in the military literature as ‘a plan of attack for winning the battle’ or ‘a plan for beating the opposition’. Similar definitions are used today in the field of business. In reflecting upon the link between military and business usage of the strategy concept, Horton (2003) claimed that the discourse and practice of strategy is distinctively a mechanism of power whether seen from a military or business angle.

The word ‘strategy’ appeared for first time in the business literature in 1952 in a book by William Herman Newman called Administrative Action; The Techniques of Organization and Management. At that time strategy was implicitly regarded as a plan for achieving organizational goals. Strategy is defined here as the overall plan for deploying an organization’s resources to establish a favourable position in the market, while a tactic is a scheme for a specific action.

**Roles of strategic marketing**

Strategic marketing has been the subject of considerable research in both the business and marketing literature over the last five decades. It has become an area of primary concern to all organizations, depending critically on a subtle understanding and analysis of the market. Marketers worldwide face an external environment characterized by rapid change and it is imperative that marketers understand today’s flat, boundaryless marketplace—a world in which companies still continue to make strategic and tactical decisions yet do so with an understanding that the global marketplace can be extremely volatile (Crittenden and Crittenden, 2012).

The development of strategic marketing is essential for success not only in developed markets, where the competition can be intense and with every player attempting to gain market share, but also in emerging markets where the elements of product, price, communications, and distribution are recognized as valuable sources for competitive advantage. Global companies operating in emerging markets, such as Carrefour, Burger King, and HSBC often face complex market conditions, intense competition from local players and must identify new competitive advantages through the effective use of resources strategically deployed at local level.

**Capabilities of strategic marketing**

Strategic marketing involves identifying, anticipating, and satisfying customer needs and wants, while making a profit. Given sufficient resources any one of us could likely set up a new hotel that would satisfy customers. It might have staff to greet people at the entrance as well as take care of luggage, a beautiful reception area, courteous reception staff, fabulous rooms with added touches like choice of soft, medium, or firm mattresses and pillows, fresh flowers, free Wi-Fi, the use of an iPad, wonderful room service, and so on. We could all draw up a nice list in ten minutes. But could we offer all this and make a profit? Would it be possible to charge enough to cover the cost of running such a hotel and leave money over to pay the bills, invest in the future, repay loans, and have something to spare? Without a profitable cashflow, no organization is viable and is likely to go bankrupt. Thus, marketing is not solely about consistently anticipating and satisfying customer needs and wants. It’s also about making a profit in a competitive environment while doing this.

**Marketing orientation**

The marketing concept is a way of thinking—a management philosophy guiding an organization’s overall activities. This philosophy holds the key to achieving organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its chosen target (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993). The marketing concept defines the set of activities developed by organizations to permanently monitor, analyse, and respond to market changes such as consumer preference, faster technological growth, and growing competitive rivalry. A company is market-oriented if it has mastered the art of listening to customers, understanding their needs, and developing products and services that meet those needs.

**Resource-based view and the market-based view**

The resource-based view (RBV) concentrates upon the available tangible and intangible resources of the organization and how best to lever them (and note it is often the intangible assets that are most linked to marketing, such as brand name and reputation). These resources need to be identifiable, of value, be difficult to copy, hard to substitute, and rare.

Alternatively, the market-based view (MBV) suggests that an organization’s resources should be managed in response to market requirements and competitive conditions. The market-based view leads to the development of outward-facing strategies designed to manage competitive forces and to improve positioning against competitors (Martin, 2014).

**Porter’s theories on business strategy and the blue ocean perspective**

When it comes to the nature of strategies, Michael Porter (2001) has forcefully argued that the fundamentals of strategy remain unaltered. He argued organizations can only create value if they focus on (1) industry structure, which determines profitability and, (2) find a sustainable competitive advantage (SCA), which will allow a company to outperform the average. His two strategic tenets are, and remain, ‘cost’ or ‘differentiation’. A more integrated view of strategy is offered by the proponents of the Blue Ocean approach in contrast to the classic cost saving – buyer value (differentiation) trade-off (Kim and Mauborgne, 2004). According to the Blue Ocean approach organizations must move away from highly competitive markets (red-oceans) by continuously innovating and creating new ways of delivering value to customers. By shifting their attention to the most important value drivers, organizations can identify new market spaces (blue oceans) and make the competition irrelevant (Kim and Mauborgne, 2005).

**Three levels of strategy within an organization**

Within the boundary of these definitions, three types of strategy can be specifically defined in relation to organizational structure (see Figure 1.3). Strategy exists at multiple levels in an organization, so can be equally applied to small businesses as to large corporations:

1. corporate,
2. business unit,
3. and functional.

**Approaches to competitive strategic marketing**

**Thinking First**

The book takes rational ‘Thinking First’ as the basis for marketing strategy, which is an approach that is primarily logical, sequential, and linear. Thinking First is about analysing a strategic marketing problem and developing the solution (the strategy) through a carefully thought-through and largely sequential process. Instant views and decisions are not made, though it can help to occasionally see the ‘big picture.’ It can involve some inspiration and insight, but largely the process is one of painstakingly doing your homework to arrive at a solution.

**Seeing First**

Seeing First reminds us that the importance of seeing the overall decision is sometimes greater than thinking about individual elements. As Mozart noted—the best part of creating a symphony was to, "see the whole of it at a single glance in my mind" (Mintzberg and Westley, 2001). Seeing First is basically insight and insight often only comes after a period of preparation, incubation, illumination, and verification in the cold light of day (Wallas, 1926). So the best way of Seeing First might be after a process of rational analysis! The 'eureka' moment has been often known to come after sleep, as rational thought is generally switched off during sleep. Thus, Seeing First is a cognitive process but it relates to the whole picture rather than a sequential analysis.

**Doing First**

When you cannot think it through and you do not see it, what do you do? 'Doing first' is when marketing managers experiment and learn from their mistakes and successes. The process is: (1) do something, (2) make sense of it, and (3) repeat the successful parts and discard the rest. Instead of marketing strategy, the reality is often that ‘doing’ drives. For example, many companies that have successfully diversified their businesses have done so by a process of figuring out what worked and what did not.

**Simple rules**

Marketing strategy as simple rules is about selecting a few key marketing strategic processes, crafting a handful of simple rules, and ‘jumping in’ rather than avoiding uncertainty. In many respects the approach is related to ‘doing first’ except that the rules are predefined. Companies like Vodafone and Yahoo! have excelled without the traditional advantages of superior resources or strategic positions. According to Eisenhardt and Sull (2001) the key to their success has been the use of simple rules.

**Strategic planning**

Strategic planning may be defined as the process that sets out the long-term objectives of a company and the means by which these objectives are to be achieved. This definition may give the impression that strategic planning and strategic thinking are similar. They are not. Whereas strategic thinking involves creative and entrepreneurial insights into a company and its environment, strategic planning is about frameworks for the systematic and comprehensive analysis of known options. Strategic thinking is a shaping process in which a reflective conversation with a situation takes place to reduce the complexity, while strategy making is a process of continuous adaptation between the industry environment and the organization’s capabilities. Strategic market management emerged as an extension of the term strategic management to emphasize that strategy development should be informed by the market environment rather than being internally oriented. Strategic market management as a system is designed to help organizations in developing, implementing, evaluating, and changing business strategies (Aaker and McLoughlin, 2010).

**SUMMARY**

The current view of the strategic marketing development is consistent with the early literature about the marketing concept, which is recognized as not only a set of functions but also a guiding philosophy for an organization’s activities. At the functional level, the marketing manager is to influence the level, timing, and character of demand in a way that will help achieve the organization’s marketing objectives. The marketing manager must focus on the development of the organization’s positioning strategy and marketing mix programmes. At the strategic (SBU) level, marketing as a business philosophy can play a significant role in guiding an organization’s activities. Therefore, we defined competitive strategic marketing in this book as ‘a market-oriented approach that establishes a profitable competitive position for the firm against all forces that determine industry competition by continuously creating and developing a sustainable competitive advantage (SCA) from the potential sources that exist in a firm’s value chain’.