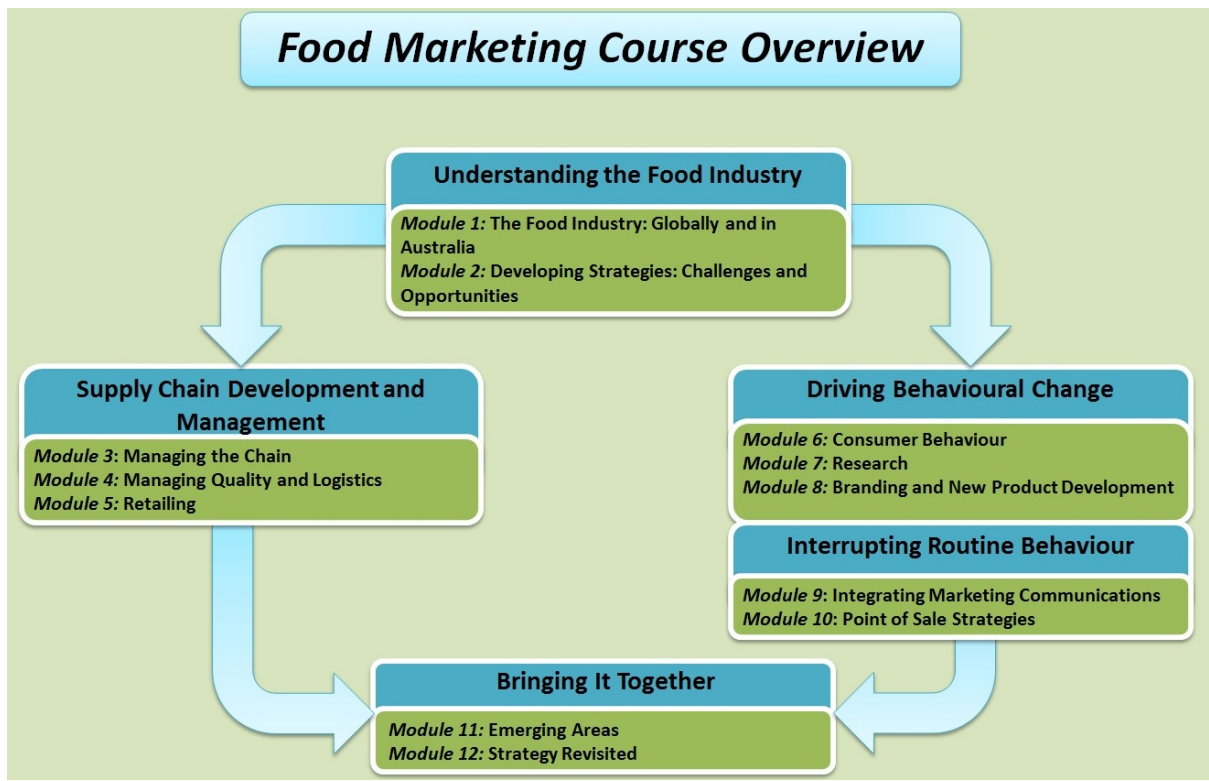


Module 12: Strategy revisited



Learning outcomes

On successful completion of this module you will be able to:

- Describe in the strategic planning process
- Prepare a marketing plan
- Understand strategies for business growth
- Understand basic competitive strategies and competitive positions
- Explain the principles of sustainable competitive advantage

12.1 Introduction

This module brings together all previous modules to develop a strategic marketing plan. You will recall from Module 1 that the focus of this course has been on strategy development and decision making, with the ultimate aim of you being able to develop a strategy and an implementation plan for a food product. This time has come!

We have addressed two key themes throughout the course:

- First, the importance of supply chain development; and
- Secondly, given much of food consumption is highly habituated, a focus on driving behavioural change of consumers. The key tasks involved in driving change included developing an appealing offer, developing an effective brand strategy, and interrupting routine behaviour and thought patterns at point of sale and through aggressive sales promotion (Thomason 2012).

Module 2 introduced a brief overview of strategy and the strategic planning process before addressing the challenges and opportunities involved in developing food strategies by focussing on the current trends in the micro and macro environment. Module 3 then addressed supply chain development and management by considering the unique issues faced in supply chain design for food, how quality and logistics need to be managed, and finally the structure and trends in retailing. Module 4 turned to the theme of driving behavioural change by understanding how consumers behave in relation to food purchasing and consumption before covering branding and the development of new products. Module 5 looked at strategies to interrupt routine behaviour both through integrated marketing communication and specifically at point of sale. We now bring all the knowledge from these modules together in terms of overall strategy and marketing plans.

12.2 Strategy and Strategic Planning

Business planning is an ongoing process of making decisions that guide the company both in the short term and the long term. Strategic planning is the process of matching the organisation's resources and capabilities with attractive market opportunities with the focus on the longer term.

Corporate Missions

A good corporate mission should be based on the answers to the following questions:

- What is our business?
- Who is the customer?
- What is of value to the customer?
- What will our business be?
- What should our business be?

Good mission statements have the following characteristics:

- Focus on a limited number of goals
- Stress major policies and values
- Define major competitive spheres
- Take a long-term view
- Short, memorable, meaningful.

A final criteria for a good mission statement is that it should be market (or consumer oriented) rather than product oriented. As an example, consider the case study of the Moreton Bay Prawn Value Chain we covered in Module 3. When asked what business they were in, the reply from fishers was 'we catch prawns' – this is very product oriented. Whereas a market or consumer focussed mission might have been something like 'we provide fresh, local seafood to local Moreton Bay residents and visitors'.

Industry Strategy

Given that many food producers are small businesses, Industry Associations and Producer groups play a significant role in developing strategy at an industry level, particularly in terms of promotion as we have seen with the communications strategies developed by the Australian Prawn industry and the Australian Barramundi Farmers Association in previous modules. Each of the Associations or groups will have their own strategy reflecting the focus of the different industries.

Regional Branding and Development Strategy

Food strategies are often developed around specific locations or regions. In Australia, South Australia is perhaps the best example of food (and wine) marketing strategies. Strategies are developed at state level and at a regional level (Eyre Peninsula for seafood).



Activity

Consider the 6 mission statements below.

Note how some companies clearly use the word mission while others use terms like 'purpose' or 'aim'.

Can you match the statements to major food industry companies? Check your answers at the end of the module.

Evaluate each of the statements in terms of the criteria for good mission statements noted above.

Match the mission, aim, purpose....

Our mission is to bring you the finest quality fresh food at everyday great value, giving you the best shopping experience possible	Give the people of Australia a shop they trust, delivering quality, value and service	All people, wherever they live, should have the opportunity to buy everyday groceries of the highest quality at the lowest possible price.
To deliver a shopping experience how the locals like it	Your business success is our business	We strive to make your everyday cooking easier

12.3 The marketing plan

Marketing goals and objectives then inform the development of the marketing plan that provides 'the blueprint or outline of the organisation's marketing activities, including the implementation, evaluation and control of those activities' (Ferrell & Hartline 2012, p. 29). The marketing plan is the central instrument for directing and coordinating the marketing effort and operates at a both a strategic and tactical level.

At a strategic level the marketing plan will focus on target market decisions, the value proposition and an analysis of opportunities, while at a tactical level the plan will address issues such as product features, promotion and merchandising tactics, pricing decisions, sales channels and service levels – all of which need to be integrated.

Typical contents of a marketing plan include:

- Executive summary;
- Table of contents;
- Situation analysis (as covered in Module 2 plus an assessment of competitors and the company's internal environment i.e. a SWOT analysis);
- Marketing strategy (covering all elements of the marketing mix);
- Financial projections (and allocations of responsibilities); and
- Implementation controls.

Evaluating a marketing plan

A checklist for evaluating a marketing plan could include the following questions:

- Are all four 'p's integrated?
- Do the 'p's integrate with STP?
- Are all stakeholders committed?
- Is the plan simple?
- Is the plan specific?
- Is the plan realistic?
- Is the plan complete?

12.4 Strategies for business growth

Strategies for business growth can be thought of in two groups:

- **Intensive** strategies are those that focus on products and markets. Ansoff's grid provides a product/market expansion grid that addresses the key strategies for intensive growth. These strategies look at the four combinations of current and new products and current and new markets to develop four strategies discussed in detail below.
- **Integrative** strategies look at staying in the same business but considering expansion either forward or backward in the value chain – or even horizontally by taking over competitors.

Intensive strategies

Market penetration focusses on selling greater quantities or value of existing products to existing markets. In brief there are three ways this can be done:

- **Increase how much current customers are using** – so in relation to seafood we might want consumers to increase the number of seafood meals they eat every week, from say 2 to 3. Or in the case of Australian prawns where the majority of consumers may only eat prawns twice a year (at Christmas and Easter) if we can get them to add a third occasion, we have got a 50% increase in overall consumption. The 'Love Australian Prawns' campaign was based on this objective.

The strategies we can use to increase present usage include:

- Advertising or promotion (like 'Love Australian Prawns')
- Increase the package size (especially for 'single serve type products')
- Use price incentives for increased use.
- **Attract competitors' customers** – the most common strategy here is to increase promotional effort. However this is best accompanied by improving or sharpening brand differentiation, which is, letting consumers know how your product is different/better to competing products.
- **Attract non-users** – this is perhaps the hardest of the market penetration strategies; with common tactics things like getting people to trial through in-store sampling or demonstrations, pricing down to make trial lower risk or pricing up to make product more premium, or finally, advertising new uses (sales of bi-carb soda increased significantly when it started promoting the odour absorbing qualities of the product!)

Market development focusses on taking existing products into new markets with the two main options here expanding geographically (but targeting similar markets to existing geographic area) or alternatively attracting new market segments in existing geographic areas.

- *Geographic expansion* can be at several levels – from local to regional, regional to national, national to international!
- *Attract new market segments* (in existing geographic area) – several approaches or combinations of approaches can be considered here.

- New product versions – for example, offering a different package size (so attract singles rather than families)
- New distribution channels – so target food service rather than retail – or a different channel within food service if currently selling to food service, for example, targeting cruise ships.
- Advertise in new media – so perhaps add more social media campaigns to attract new customers.

Product development focusses on new products for existing markets. New products can be developed at several different levels, from totally new products through to modifications and adaptations of existing products. These modifications and adaptations can be summarised as:

- *New product features* – so modifications to attributes like colour, shape, and odour. Magnification or minimisation might be possible – that is, making pack sizes bigger or smaller, heavier or lighter etc. Substitution of ingredients or processes could be considered i.e. making something suitable for the microwave and producing sugar free or gluten free versions.
- *Different quality* versions are a common strategy – so premium range, a ‘normal’ range and a budget range.
- *Different sizes*.

The final possibility from the product/market grid is **diversification** - that is, totally new products to totally new markets. For example, adding a non-food product line, like biro or pens. Evidence from the real world (Ruthven 2013) indicates this is a very high risk strategy as it can require a whole new skill set, resource set and management approach.

	Current products	New products
Current markets	1. Market-penetration strategy	3. Product-development strategy
New markets	2. Market-development strategy	(Diversification strategy)

Integrative strategies

Integrative strategies look at staying in the same business but considering expansion, either forward or backward in the value chain – or even horizontally – by taking over competitors, so the strategy options here are:

- **Backward integration** by acquiring wholesalers or suppliers (depending where in the chain you are and how far back you want to go)
- **Forward integration** by acquiring wholesalers or retailers (again depending where in the chain you are)

- **Horizontal integration** by acquiring competitors at whatever level you are operating in the value chain.

So which strategy to select

The right strategy will depend on a number of factors specific to each individual situation. Some of these factors include:

- Profitability
- Sales growth potential
- Risk
- Strategic flexibility
- Synergy (marketing, operating, investment, management)
- Sustainable competitive advantage
- Key success factors

For many small businesses, these profit-oriented factors may be balanced against less objective factors such as lifestyle.

12.5 Competitive strategies and competitive positions

This topic begins by considering competitors before moving on to look at basic competitive strategies (cost leadership, differentiation and focus) as well as competitive positions of market leaders, market challengers, market followers and niche marketers.

Competitors

Kotler et al. (2013) go through a three stage process of firstly identifying a company's competitors, assessing the competitors and then selecting which competitors to attack and which to avoid.

- **Identify competitors** – A key issue here is ensuring all possible competitors are considered by not defining too narrowly, or at the other extreme, going too broadly – it all revolves around knowing your customer. For example, consider a consumer who likes to purchase salmon once a week – very narrowly the competitors might be other salmon providers, slightly broader the competitors could be other finfish like barramundi, wider still; some other form of seafood like prawns, and even wider still – competing proteins like beef or chicken. The art of identifying competitors lies in exploring these alternatives to identify which one is most appropriate.
- **Analyse competitors** – Once you know who your competitors are, the next step is to analyse them. What are their objectives and strategies – are they growing aggressively or slowly, and what is their positioning within the market? What are their strengths and weaknesses – consider elements of the marketing mix as well as their skills and resources here. How are they likely to react, for example – if one competitor drops prices, will they follow or maintain their current pricing?
- **Select competitors to attack and avoid** – Once you have analysed your competitors, decide which ones you will compete against and which ones you will avoid – avoid strong competitors who may react aggressively – especially if they are well resourced. Consider weaker competitors who may not be too close.

Undifferentiated product markets may lead competitors to engage in price wars to sell their product and increase their market share. However, competitors usually respond rapidly to protect their market share, reducing the profitability of the entire market. Such trends have been evident in the recent milk price wars between Woolworths and Coles, who have reduced the cost of milk to \$1 per litre. Other examples include the recent price wars between Dominos and Pizza Hut, who reduced their value range pizzas to \$4.95. Additionally, this trend of marketing products on the basis of price can also lead to the commoditisation of the product, resulting in the loss of consumer brand perception and loyalty.

Competitive strategies and positions



Video

The following [video](#) discusses the importance of competitive positioning.

Michael Porter identified three basic competitive strategies as:

- **Overall cost leadership** – Under this strategy a firm seeks the lowest production and distribution costs which result in the lowest selling price and consequent large market share.
- **Differentiation** – As the name suggests, companies following this strategy try to clearly differentiate themselves on some criteria for which customers are prepared to pay a higher price (think Boost Juice compared to other fruit juices).
- **Focus** – Here a company selects a niche market and focusses on serving that market well.

Also consider the competitive position of firms within an industry:

- The *market leader* is the company with the largest market share. Typically market leaders are constantly being challenged and work on three strategies – expanding total demand, protecting their market share and expanding their market share.
- *Market challengers*, as the name suggests also have a significant market share and are continually challenging to become the market leader. There are advantages to being a challenger, as often these firms can learn from the leaders' mistakes. Challengers can choose to compete directly or indirectly. Note the DiBella coffee example in the reading.
- *Market followers* follow. Often these firms are content to follow. They strive to offer something unique to attract and retain customers but are happy not to aggressively compete and draw the attention of the market leader.
- *Market nichers* are specialist firms who choose to compete in a very specific area.

12.6 Sustainable competitive advantage

Sustainable competitive advantage is the final topic addressed in Module 12 and covers the three issues of the basis of competition (skills and assets), where you compete and whom you compete against.

Sustainable competitive advantage means that the advantage is not short term but something that can be self-sustaining over a longer period. When a firm has a distinct advantage in an area like superior skills or resources they can establish an advantage over competitors. This competitive advantage, if managed well, can lead to superior profits. These superior profits add to the superior resources and so the cycle is self-sustaining.

To remain competitive, the superiority needs to be something that cannot be easily imitated by others, and importantly must make a significant contribution to perceived customer benefits.

To finish this topic consider the list below put together by Phil Ruthven, founder of IBISWorld and a renowned business analyst and writer. This list reflects the positions put forward throughout this course. Note the 'outside –in' i.e. focus on consumers. Note further the strategy recommendations, for example, do not diversify, aim to dominate some segment of the market and forever innovate.

What the Best Enterprises Are Doing

- They stick to one business at a time and they do not diversify.
- They aim to dominate some segment(s) of their market.
- They are forever innovative, valuing the business' IP.
- They outsource non-core activities to enable growth.
- They don't own their 'hard' assets.
- They have good and professional financial management.
- They plan from the outside-in and not the inside-out.
- They anticipate any new industry lifecycle changes.
- They follow world best practice for their own type of business.
- They develop strategic alliances.
- They develop unique organisational cultures.
- They value leadership first and management second.

(Phil Ruthven 2014)

12.7 Conclusions

This final module has brought the course full circle. We started with the goal of being able to develop a strategy and a marketing plan. Early modules gave the foundation and this module has brought the pieces together into strategy.

References

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Ruthven, P 2013, *Building in a fast changing world*, PowerPoint Presentation, presented at the Master Builders National Conference, 14 – 16 November, Canberra.

Match the mission, aim, purpose....

Woolworths	Coles	ALDI
Our mission is to bring you the finest quality fresh food at everyday great value, giving you the best shopping experience possible	Give the people of Australia a shop they trust, delivering quality, value and service	All people, wherever they live, should have the opportunity to buy everyday groceries of the highest quality at the lowest possible price.
To deliver a shopping experience how the locals like it	Your business success is our business	We strive to make your everyday cooking easier
IGA	<u>Brammer</u>	Gourmet Garden