

wbs
WARWICK BUSINESS SCHOOL
THE UNIVERSITY OF WARWICK

**For the
Change
Makers**

Dr Scott Dacko

**Warwick Summer School
Marketing Environment:
Macroenvironment and Internal**

Dr Scott Dacko

“To turn really interesting ideas and fledgling technologies into a company that can continue to innovate for years, it requires a lot of disciplines.”

-- *Steve Jobs (2011)*

Session Objectives

By the end of the session, we will:

- Appreciate how strategic marketing decision making starts and ends with objective-driven analysis
- Learn how model-based environmental and internal analyses can provide insight into the elements of marketing strategy
- Recognize how planning horizons can vary and hence, the quality of marketing strategies

Overview: A Marketing Strategy Framework

External Analysis

- Customer Analysis
- Competitor Analysis
- Market Analysis
- Environmental Analysis

Internal Analysis

- Performance Analysis
- Determinants of Strategic option

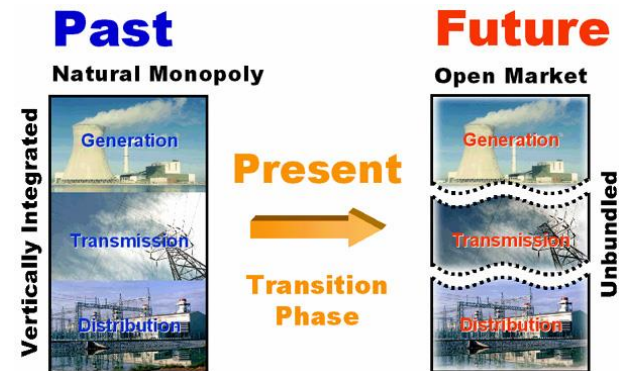


- Market Entry Timing Strategy

Strategy Identification and Selection

Marketing Strategy – Further Analysis Inputs

- Environmental Analysis
 - Ensure it's broad-based -- yet objective-driven
 - Uncertainties may matter more than certainties
- Internal Analysis
 - Beneficial for
 - Internal benchmarking
 - External comparisons
 - A must is critically evaluating for marketing strategy implications



“What is the future of...?”

“What is the future of...?”

Three years ago:

- ⦿ the Internet
- ⦿ Record labels and the music industry
- ⦿ Gaming
- ⦿ Television
- ⦿ Solar energy
- ⦿ the rainforest
- ⦿ the NHS

“What is the future of...?”

Two years ago:

- ⦿ the euro
- ⦿ the Internet
- ⦿ Europe
- ⦿ Genetic engineering
- ⦿ Robotics
- ⦿ Food

“What is the future of...?”

One year ago:

- ⦿ the internet
- ⦿ Gaming
- ⦿ Antarctica
- ⦿ the UK High Street

“What is the future of...?”

Super Hi-Vision HD streaming: How soon until it goes mass market?

◎7680 x 4320 resolution

◎1.5 Terabytes of storage needed for 1 min. of footage



Environmental Analysis: How Useful?

- Evaluate in-depth along relevant dimensions:
 - Only the start: PEST
 - What are the additional and refined dimensions?
- What trends and events are significant?
 - What's relevant to marketing strategy?
 - What are key areas of uncertainty?



Dimensions of Environmental Analysis

- Technology
 - Impact of maturing & new technologies
 - Forecasting new technologies
- Government – regulatory impact?
- Economics – country prospects?
- Culture – fashion and lifestyle trends?
- Demographics – market/submarket impact?



Environmental Analysis: How Useful?

- Evaluate in-depth along relevant dimensions:
 - Health research
 - Government regulation
 - Legal environment / liability



Environmental Analysis: How Useful?

- Evaluate in-depth along relevant dimensions:
 - Health research
 - Government regulation
 - Legal environment / liability



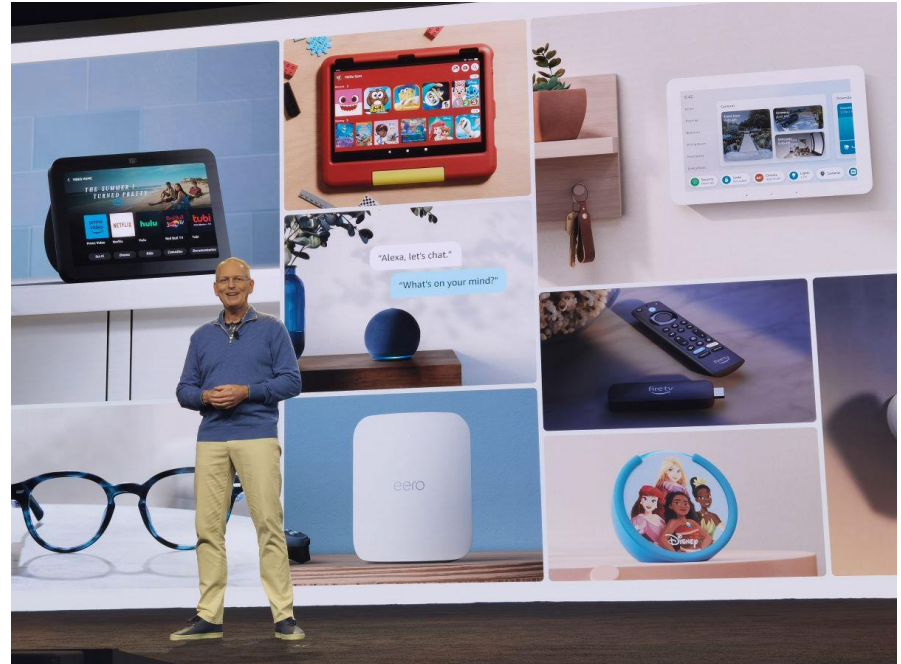
Environmental Analysis: How Useful?

- Evaluate in-depth along relevant dimensions:
 - Health research
 - Government regulation
 - Legal environment / liability



Environmental Analysis: Forecasting for Fun or Profit?

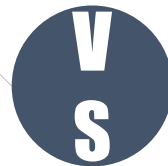
- Forecasting is *easy* when:
 - Ask simple questions
 - Extrapolate with little data
 - Ask a few biased experts
 - The task is general
 - Larger uncertainties are under-emphasized





Environmental Analysis

- Should be broad-based yet objective-driven
- Uncertainties matter more than certainties

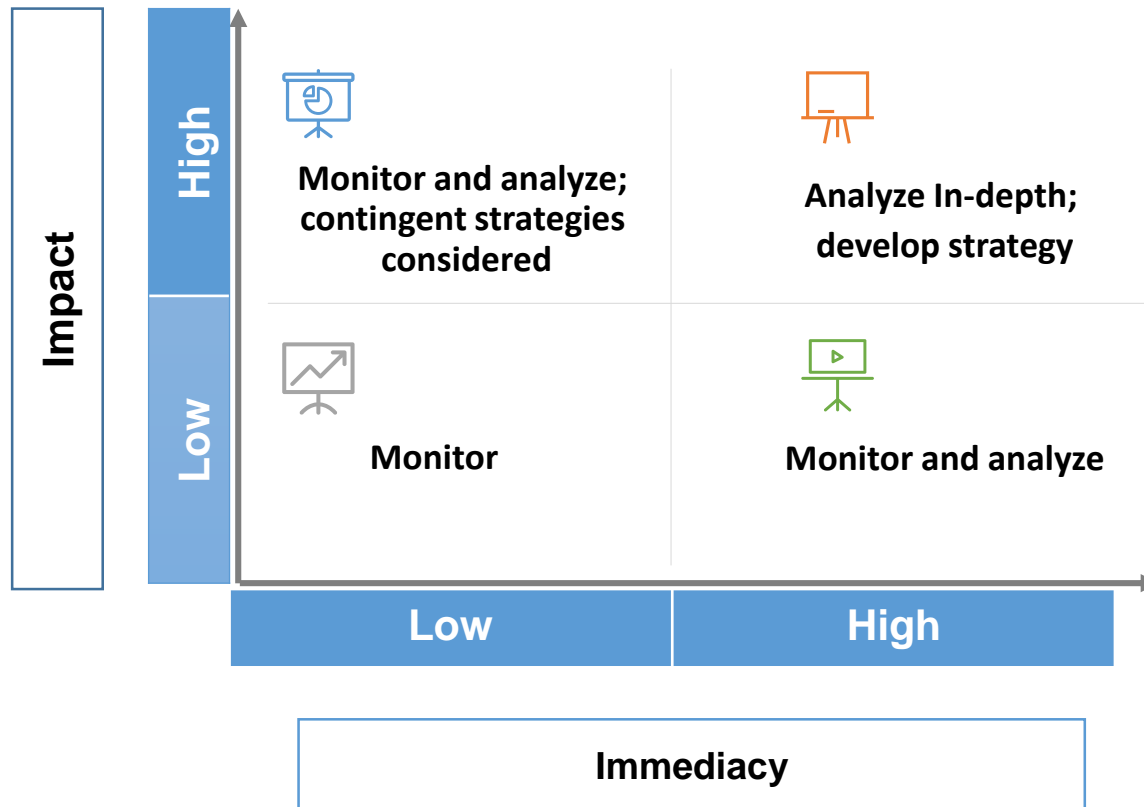


Internal Analysis



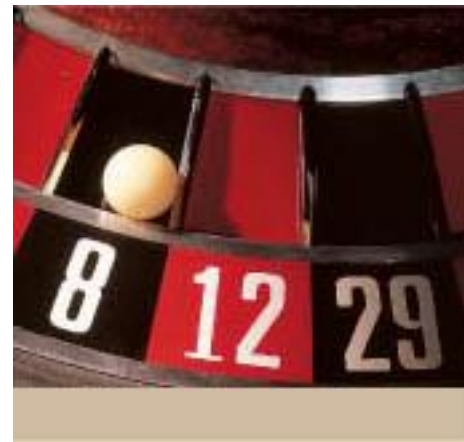
- Multiple measures useful for:
 - Internal benchmarking
 - External comparisons
- A must: ID strategic implications

Strategic Uncertainties Categories



Environmental Analysis: Scenarios, Strategies, Regrets

- Marketing strategies are scenario-driven
- Scenarios are reward-driven and hazard-driven
- No scenario probability may be too small if the scenario is mission-critical
- Anticipating regrets leads to less risky strategic marketing actions

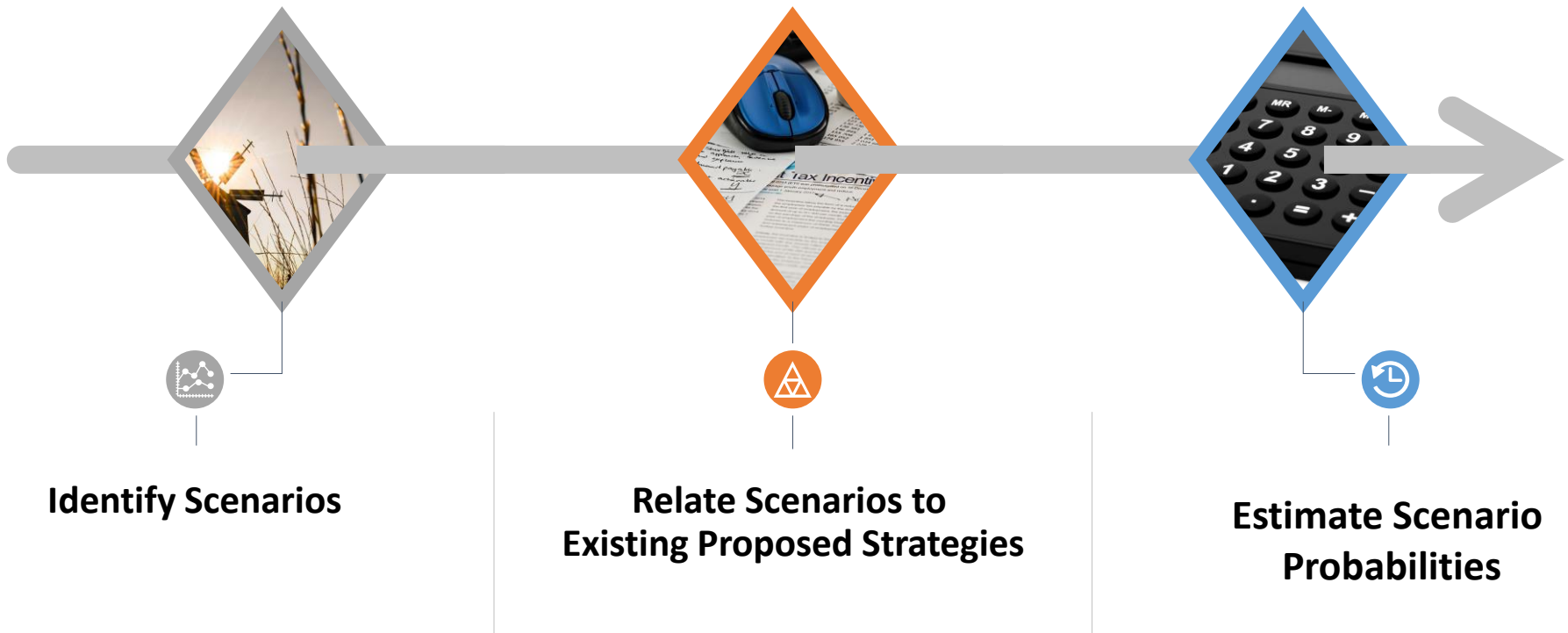


Scenarios

Scenarios are plausible views of how the environment of an organisation might develop in the future based on key drivers of change about which there is a high level of uncertainty.

- Builds on environmental analysis
- Offers more than a single view
- Scenario analysis is used in industries with long planning horizons

Scenario Analysis





Factors of uncertainty for BMW

Political

1. Tax on corporate emission
2. Tax on consumer emission
3. State aid developing countries
4. State aid developed countries
5. Political stability India
6. Political stability China
7. Investment in Public transportation
8. Subsidising of public transportation
9. Subsidies for greener substitutes

Social

20. Smaller family structures
21. Level of Europeanisation of the taste in Asia
22. Green (awareness) movement
23. Urbanisation
24. Public perception/trust in financial system
25. Demand level for safety
26. Work-life balance
27. Urban population growth rate
28. Retirement age

Economic

10. Chinese Yuan's value
11. Unemployment Rate in Europe
12. Unemployment Rate in India/China
13. Disposable income in India
14. Disposable income in China
15. Price of Raw materials (aluminium)
16. Exchange rates (Euro to Dollar)
17. Inflation rates (Euro zone)
18. Oil price
19. Price of alternative fuels

Technological

29. Rate of Innovation/Technological development in China
30. Rate of Innovation/Technological development in India
31. Urbanisation/Development of public transportation
32. Development of nano-technology
33. Development of alternative fuels
34. Development alternative materials (carbonfiber)
35. Security levels of internet transactions

Most important and most uncertain factors

- 18. Oil price (USD per barrel)
- 33. Development of alternative fuels
- 16. Exchange rate (USD to Euro)
- 24. Public perception/trust in financial system
- 23. Urbanisation
- 7. Investment in public transportation
- 29. Rate of innovation/technology development level of China
- 29. Disposal Income in China
- 21. Level of Europeanisation of taste in Asia
- 9. Subsidies in Green Substitutes
- 1. Tax on corporate emission
- 34. Development of alternative materials (carbonfiber)

Scenarios for 2030

- **European Decline**

- *Europe's power and influence is decrease, so it is its currency and image of its products. Unemployment in Europe is increasing and there are little European funds of R&D. At the same time, emerging markets (of 2010) like China and India are mature markets with growing GDPs.*

- **Cutting edge technology**

- *After a long period of prosperity, lots of funds, both from Governments and companies are spent on cutting edge technology development. New materials and fuels have been developed*

- **The Urban World**

- *The world population is concentrated in cities, increasing their density. New trends in living standards have emerged with public transport, working from home and personal space being reduced.*

Impact of scenarios: Strategic Fit

	European Decline	Cutting Edge Technology	The Urban World
Strengths of the future	- Brand image: 'The ultimate driving machine'	- R&D dept.	-- The motorcycle segment of the BMW Group.
Weaknesses of the future	-European Basis of operations	-Limited 'green' R&D	-Limited apps/prods for public transport
Opportunities of the future	-Chinese and Indian market	-Increased demand for high engineering products	-New business segments
Threats of the future	-Declining European sales	-Substitute products	-Decrease in personal cars demand

Internal Analysis: Knowing The Organization

- Financial performance ALWAYS matters
- But, which measures matter the most?
 - Sales
 - Market share
 - Profitability
 - Shareholder value analysis

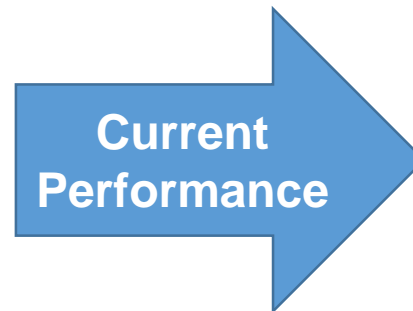
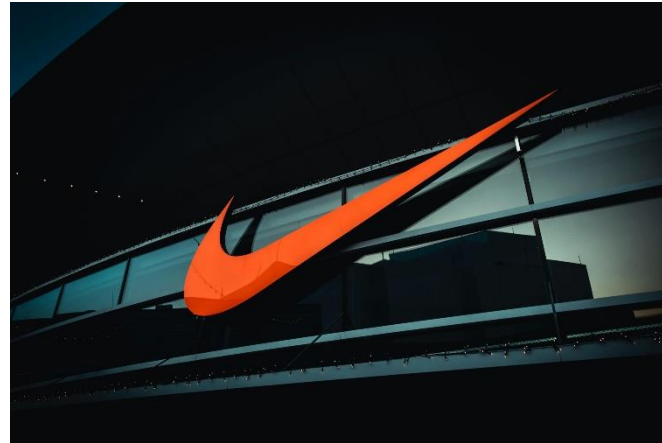


Internal Analysis: Beyond the Financials

- What are the assets and competencies of:
 - current strategies?
 - future strategies?
- Multiple measures provide insight into potential sustainable competitive advantages used in strategic marketing
 - option development
 - planning and evaluation



Performance Measures Reflecting Long-Term Profitability



Long Term Profits

Internal Analysis: Shaping Marketing Strategy

- Honest analysis is needed to ID bases for success
- Tactical problems often have strategic marketing implications
- Capabilities and constraints (financial, org'l) interact and need careful appraisal
- Strengths and weaknesses are derivable from strategic assets and competencies



Determinants of Strategic Choices



Past and Current Strategies



Strategic Problems



Organizational Capabilities / Constraints



Financial Capabilities / Constraints



Strengths/Weaknesses



Internal Analysis: Toward Resource Allocations

- Business Portfolio Analysis
 - Make the key issues visible
 - Categorize strategic marketing options
 - Still, subjectivities remain
- Investment decisions complement choices for SCA leverage and development



Structuring Strategic Decisions



- 01 **Organizational Strengths and Weaknesses**
- 02 **Competitor Strengths and Weaknesses**
- 03 **Market Needs, Attractiveness, and Key Success Factors**

Strategic Decision

- Strategic Investment
- Functional Area Strategies
- Sustainable Competitive Advantage

Evaluating Ability to Compete

- Organization
- Growth
- Share by Segment
- Customer Loyalty
- Margins
- Distribution
- Technology Skills
- Patents
- Marketing
- Flexibility



Evaluating Market Attractiveness

- Size
- Growth
- Customer Satisfaction levels
- Competition: quantity, types, effectiveness, commitment
- Price levels
- Profitability
- Technology
- Governmental Regulations
- Sensitivity to Economic Trends



Implementing Successful Environmental Analyses within Organisations

- ⦿ Make a long term commitment
- ⦿ Continually evaluate objectives
- ⦿ Demand linkages to present marketing strategies
- ⦿ Custom design the analysis to fit the culture and executive's decision making styles
- ⦿ Design flexible, versatile systems

-- Engeldow and Lenz, *Long Range Planning*

Macroenvironmental and Internal Analyses: A Summary

- Strategic marketing decision making starts and ends with purposeful, marketing objective-driven analyses
- Environmental and internal analyses, when objective (impartial, unbiased), extensive, and rigorous, can provide many useful insights into the elements of a firm's marketing strategy
- Planning horizons vary
- and hence, the quality of marketing strategies