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STRATEGIC MARKETING

Işıl Aydoğdu[1]

ABSTRACT

Nowadays, increasingly competitive market requires strategic responses. Developing Successful Marketing Strategies uses real market examples to demonstrate the development of effective marketing strategies. Strategic management is linked to the importance of implementation and managing change. Moreover, strategic marketing management is the main point to the contribution in the business goals through a three stage process: analysis, formulation and implementation (Wiley, 1993).

Key words: strategic, management, business, strategic analysis, finance, customer, marketing.
JEL: G53, D14, M31

1. Introduction

The concept of marketing is inherently simple: business success through a process of understanding and meeting what customers need. Few would argue with this basic principle, and even the most inexperienced of business managers would intuitively have doubt in this. Given this basic simplicity, we do need something as complicated, and time-consuming, as a marketing strategy.

While some business principles may be simple, achievement involves many complex, interdependent or even conflicting tasks. Sometimes, such tasks are undertaken against a few of constant change, intense competition and limited resources. For enhancing this challenge, managers are often situated at the incomplete data and unexpected events, often being left to competitor reactions. It means that marketing strategy has become an important component of success. An effectively implemented, marketing strategy should be done to avoid such problems and reduce the complexity of business tasks. Strategy should restore the

[1] University of Rzeszow, Faculty of Economics.

art of management. Hopefully, it is a series of tools and techniques that guide the organization to the marketing success via a process of understanding and meeting customer needs.

The modern business world now recognizes the importance of strategic issues and the contribution of strategic management to business success. While it can have some benefits, it may bring some problems as well. It could often be argued that ‘strategy’ (or ‘strategic’) is the most overused/misused phrase in business today. Everybody seems to have a ‘strategy’ for everything (Irwin, 1965). By attaching the term ‘strategy’ to an activity, it somehow becomes more important, but in reality very little actually gets done. To illustrate this, the researches recall the recent experience of sitting through a face to face endless meeting, listening to people talk on and on about their ‘strategy’ or the need for a strategic view. Finally, it came in a conclusion that there is too much strategy and not enough people doing things. This comment can be memorable for the reason that it illustrated a key point: strategy must lead to action, not be a substitute for it. Ultimately, all organizations need people doing things. The goal of strategy is to ensure they are doing the right things. These actions need to be co-ordinated, efficiently executed and focused on meeting customer need (Porter, 1996).

Primarily, strategy is a three-stage process involving analysis, formulation and implementation. During the analysis phase management needs to look both internally and externally. Understanding the wider business environment is essential. It is then necessary to prepare plans according to current and future circumstances. Finally, implementation is needed to make sure our plans will be used in practice. Managers must make sure that instant care and attention is given to each of these stages. This way, strategy avoids being little more than rhetoric and becomes a practical reality of business world.

2. What is Strategy?

During the past years, many definitions of ‘strategy’ have been developed and close examination of such definitions emphasizes that strategy is concerned with making major decisions affecting the long-term direction of the business (Kay, 1996). Major business decisions are by their very nature strategic, and tend to focus on:

2.1. Business definition

A strategic fundamental is defining the business we are in. Organizations need to be adapted and change by keeping in touch with the external competitive environment. Business leaders need to define the range of the organization’s activities and define the markets in which the organization will compete. First, the boundaries of activity and management insurance should face the challenges of change.

2.2. Core competencies

For a better development, the organization must be competitive now and in the future. Therefore, strategic decisions need to define the basis of sustainable competitive advantage. There are skills and resources needed in order to define markets and therefore they can be used to an optimum advantage (Whalley, 2010). It is essential that this is considered over the long term and aims to match organizational capability with desired goals and the external environment. This process leads to major resource implications, both in terms of investment and rationalization.

2.3. An integrative approach

Strategy has a wide impact and as a results can affect all functional areas within the organization. Effective strategy is able to co-ordinate the different functions within the organization in order to achieve common goals. By taking a detailed view of the corporation, managers should be better able to understand target resources, eliminate waste and generate synergy. Synergy occurs when the combined effect of activities is greater than their individual contribution. It is vital that business leaders work toward a common vision and sense of purpose, in order to achieve an integrative approach.

2.4. Consistency of approach

Strategy should provide a consistency of approach, and offer a main idea to the organization. Practical activities may change and be adapted readily in response to market conditions, but strategic direction should remain the same. Additionally, strategic management can provide common tools and analytical techniques, to make sure the assessment and control of complex issues, situations and functional areas.

Establishing ways of achieving such objectives is the main purpose of the development of an organization. The main point is to react to, and of course influence, the competitive environment to the advantage of the organization. Those advantages must be sustained over the long term, but should be flexible enough to adapt and be developed as request.

It is important to say that strategy and a strategic plan cannot be the same concept. Strategy is defined as the general concepts of future competitive advantage and reflects intent, whereas a strategic plan specifies the selection, sequence, resources, timing and specific objectives required to achieve the strategy (Porter, 2011).

Figure 1 summarizes the above issues. Issues of strategy, tactics and corporate planning.

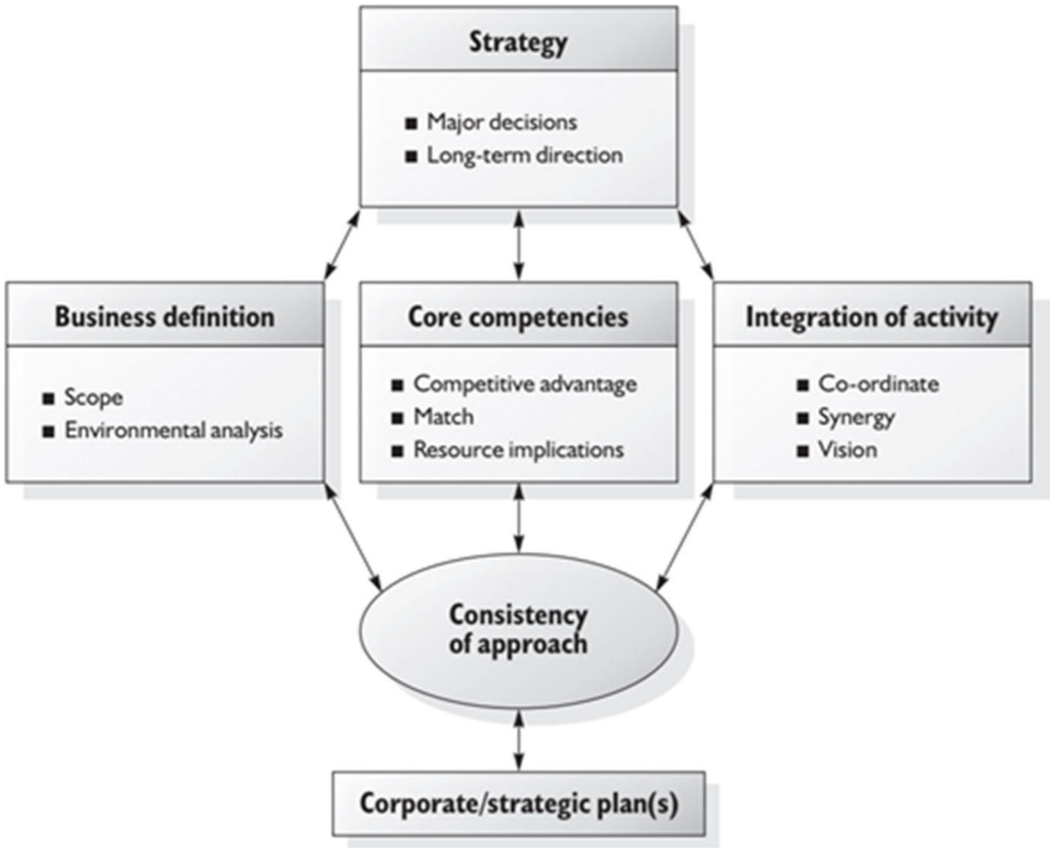

Figure 1. The basics of strategy

3. Towards Strategic Management

Over a period of some thirty years, we have seen the concept of strategy evolve. Aaker (1995) provides a historical perspective showing how this evolution has progressed and acknowledges that strategic activity has been described over the years as:

3.1. Budgeting

Budgetary and control mechanisms were the earliest strategic activity. Structured methods of allocating, monitoring and investigating variances from budget provided a means of managing complex processes. The process was often based on past trends and assumed important development.

3.2. Long-range planning

Forecasting is meant to play a great role. Planning systems and processes tended to extrapolate current trends (with varying degrees of sophistication) and predict factors such as sales, profits and cost. Management could use such forecasts as a basis for decision making.

3.3. Strategic planning

The 1970s and 1980s were the era of strategic planning, which emphasized their idea placed on: (i) specifying the overall direction, and (ii) centralized control of planning activities. While still based around forecasting and extrapolation of past trends, a greater attention was paid to understanding the business environment. Managers hoped to be able to participate events through a detailed analysis of cause-and-effect relationships. Planning systems aimed to provide data and logic as a means of decision support. While promoting more awareness of strategic issues in terms of the external environment, the process still tended to focus on the preparation of corporate-wide plans. This was often offered in a highly bureaucratic, centralized fashion.

3.4. Strategic management

Currently we are living in the age of strategic management. Strategic management concerns both the formulation of strategy and how such strategy is used in practice. While still undertaking analysis and forecasting, far greater importance is put on implementation. The concern is due to managing change and transforming the organization without causing a turbulent business environment.

Johnson and Scholes (1999) provide a useful model (see Figure 2) summarizing the main elements of strategic management. Strategic problems can be viewed as having three distinct components.

Analysis is the first step when it comes to understanding the business environment and the resource capabilities of the organization. This needs to be considered in the context of the organization's culture and the aspirations and expectations of the stakeholders. ('Stakeholders' are taken to be anyone with a stake in the organization, for example, customers, employees, suppliers.) Secondly, managers need to make strategic choices. This is achieved via a process of identifying, evaluating and selecting options. The organization needs to define: **(i)** what is the basis of our strategy, the so-called 'generic' strategy, **(ii)** what product/market areas will we operate in, and **(iii)** the specific strategies to achieve corporate goals. Finally, the issue of implementation must be taken into consideration. There is the need to plan actions, allocate resources and, where appropriate, restructure to achieve strategic change.

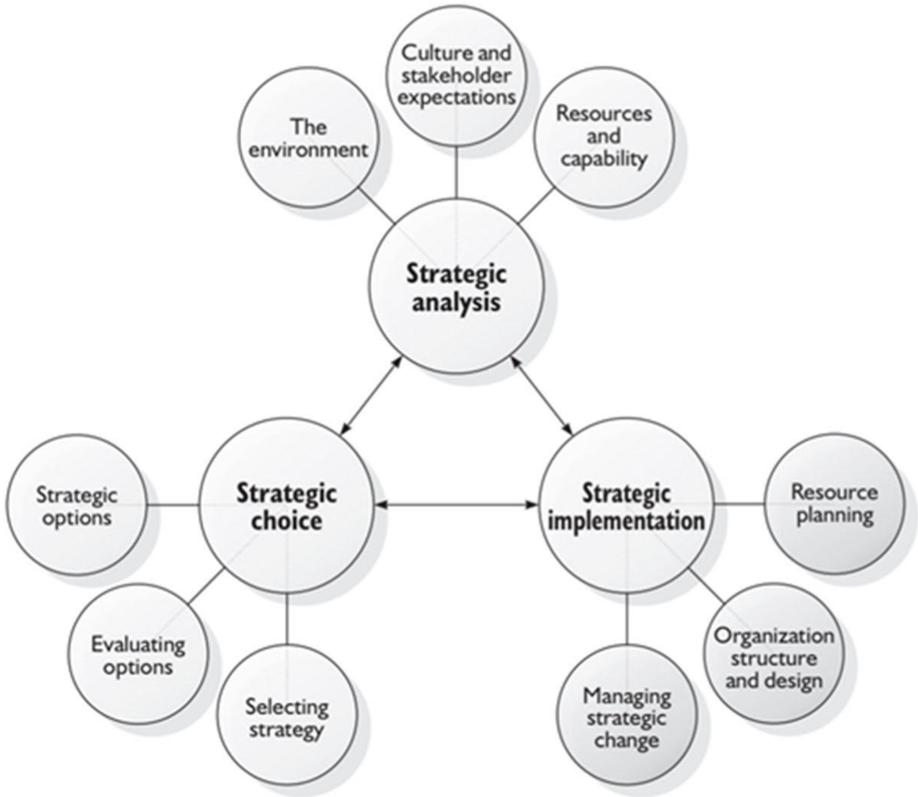

Figure 2. Elements of strategic management (Johnson and Scholes, 1999)

It is important to note that strategic management is not the orderly, logical sequence of activities that managers want to achieve. Contrary, reality means that processes are interlinked and overlapping. For example, strategic analysis does not stop or at least should not stop, when other stages take place. Analysis is an ongoing activity. For a successful strategy, equally creativity, vision and leadership are required. Given the tense in today's business world, a contingency approach may be required. This will lead to flexibility by developing contingencies in the future.

Porter (1998) provides an interesting perspective and views strategy in terms of: **(i)** developing a unique position by choosing to perform differently from the opposition; **(ii)** making 'trade-offs' with other possible competitive positions, in order to protect the organization's competitive advantage; **(iii)** combining activities to fit into, and reinforce, an overall competitive position; **(iv)** ensuring operational effectiveness when executing activities.

4. Change – Shaping Strategy

Change is already an accepted consequence of modern life. Indeed, the phrase *'change is the only certainty'* has become something of a business life. All organizations are subject to increasing levels of change. Changes in terms of cyclical change and evolutionary change can be seen. Cyclical change involves variation that is repetitive and often predictable (e.g. seasonal variation in demand or fluctuation in economic circumstances). Evolutionary change involves a more fundamental shift. It may mean sudden innovation or a gradual 'creeping' process. Either way, the result can have drastic consequences for strategic development (Rosenblum, Liedtka, 1996).

Management is concerned with moving the organization to some future desired state, which has been defined in terms of a corporate vision and corporate-wide issues. It is important to see the concept of 'change' as an integral part of strategy. It can be examined in terms of the following questions: **(i)** What drives change? **(ii)** How does change impact on our markets/business environment? **(iii)** What is the result of change on the organization's strategy?

Figure 3 summarizes these three questions.

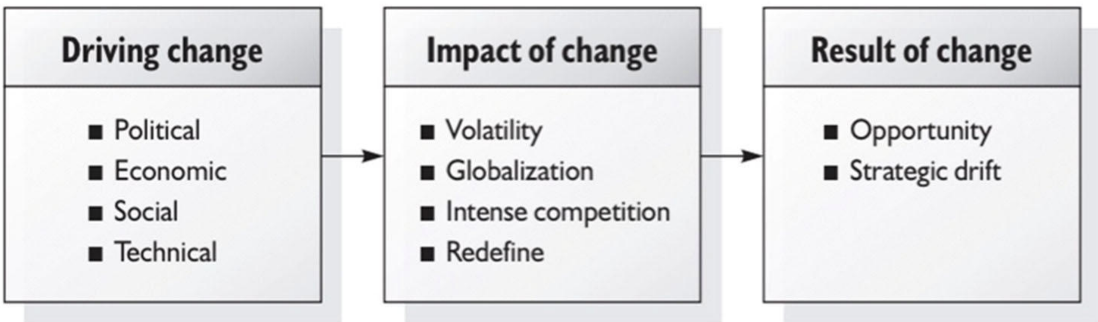

Figure 3. Strategy and change

4.1. Drivers of change

Currently, both products and methods of operating are being fast displaced by a combination of competitors' actions and shifting customer needs. This process is being driven by the following factors: Political, Economic, Social (e.g. demographics) and Techno- logical. A so-called 'PEST' analysis provides a useful analytical knowledge with which to study the business environment.

4.2. Impact of change

Exactly, change means that we need to redefine our markets. While fast growth is still possible, on the other hand many industries have to accept that the days of incremental annual growth are over. Variation in consumer habits and demographic patterns means that traditional markets are becoming more challenging. Change is accompanied by intense competition, which the phenomenon of business globalization can only intensify (Jarzabkowski, 2008).

4.3. Result of change

Change is associated by two main feedbacks. Firstly, change creates opportunity. Organizations that are flexible and in touch with customer needs are likely not just to survive, but to prosper. Secondly, past actions, strategies and methods offer no guarantee of future success (Prochaska, 1994). There is a need to ensure that the strategic thrust of the organization does not drift from the true needs of the market place (beware of strategic drift).

5. Balanced Scorecard Approach

As change affects all aspects of business strategy, it is important to set appropriate measures of business success. Rather than relying on a few narrow financial measures, a system is needed which provides an overall view of business success. To this end, Kaplan and Norton (1992) advocate using a **'balanced scorecard'** approach. This involves taking both financial and non-financial measures and examining the benefits delivered to all the organization's stakeholders. A balanced scorecard approach involves four sets of measures:

- ***Financial measures*** – Here it is examined how people are perceived by investors and shareholders.
- ***Customer*** – How do our customers view at the business.
- ***Internal activities*** – By examining the key areas of activity which deliver customer satisfaction, it can be identified where the organization must challenge its competitors.
- ***Innovation and learning -*** To survive and prosper, all organizations need to improve and adapt. Any business activity can be viewed as an experience with the immense intention of continuously creating value.

Performance indicators are established based on each of these areas. These become an objective basis with which send to evaluating and formulating strategy. A winning strategy should possibly offer a range of initiatives for the future.

6. The Role of Marketing within Strategy

As noted above, all organizations need to undertake strategic decisions which are related to their external environment. Strategy must overcome issues such as customers, competitors and market trends. In this way, strategy can be a detector and an influencer for changes in the business environment. By its nature, marketing defines how the organization should interact with its market place. Consequently, all strategic planning, less or more, requires an element of marketing. Only in this way organizations can become strategically responsive to customer needs and commercial pressures. Indeed, it is possible to view marketing more than its functional activity. Its concept can be extended as a business philosophy. Here the organization adopts a marketing orientation, success by a process of understanding and meeting customer needs. Basically, the company's orientation is defined as a fundamental business philosophy, highlighting what is allowed as the principal way of reaching success (Weerawardena, 2011). Market orientations are now widely established within the business world (and often seen as the 'holy grail' of marketers) but other business orientations are equally common.

6.1. Production orientation

Business success is attributed to efficient production. The emphasis is on mass production, economy of scale and cost control. Management's key is concerned with achieving the necessary mass and meeting production timetables (Lososova, et al. 2005). This philosophy is right for as much as risks limiting operations to low added-value assembly work.

6.2. Product orientation

The main concern is that product innovation and design will have buyers more than satisfied. Management's perception is that their products are so good that as a result, they will sell themselves. Little or no effort is put into establishing what the customer actually wants, as a whole. Commonly, product innovation is important but it needs to appeal to the market place, otherwise it risks being innovation for the sake of innovation (Porter, 1996).

6.3. Sales orientation

The views' sales volume is considered as the key determinant for success (Porter, 1996). The focus is having an astonish product so that the customer will be persuaded to buy and have it. Since the process is caused by sales targets, a short-term perspective inflate, with little regard to building longer-term relationships. Often, this is originated from a production orientation, for as long as management tries to create a demand for unwanted products.

6.4. Market orientation

As previously citied, success is measured by understanding and meeting customer needs. Customer is the beginning of the process customer and uses actual customer demand as a means to focus further resources. In simple terms, it is provided what the market wants. Additionally, the importance of building long-term relationships with customers is being known. Loyalty and consistently, which are the main key, offer superior value (Liao, et al., 2010). In order to optimize this process, an awareness of competitors' proficiency and strategy is required.

It is not business' intention to decry production, product innovation or selling, indeed they are vital. However, the truly 'world-class' organization understands how to guide these factors into a coherent market-led orientation. Having to deal with this focus will facilitate the sustainable competitive advantage required to prosper. If it is needed to go about achieving a market orientation, the answer can be summarized as follows (Kirca, 2005):

1. Customer focused – understand your customer base and be responsive to their needs. Treat loyal customers as assets and strive to build ongoing and long-term relationships. Regularly monitor levels of customer satisfaction and retention. To achieve this it must: **(i)** define the markets; **(ii)** effectively target customers, and **(iii)** listen to customers.
2. Competitor focused – in terms of competitors, be observant and assess their objectives, strategies and capabilities. There is the need to 'benchmark' their products, processes and operations against our own.
3. Integrate marketing into the business – marketing should not be confined to the marketing department. Every function and person within the organization has a role to play in creating value and achieving the goal of being a market-led organization. This may require chargeable changes in culture and organization structure.
4. Strategic vision – develop a long-term, market-orientated strategic vision by viewing marketing as more than a series of promotional tools and techniques. It must be the main point for those who should develop and implement market-led strategy and define the future in terms of creating long-term value for stakeholders.
5. Realistic expectations – people cannot always get what they expect. Expectations have to be realistic and matched to capabilities, resources and external conditions. We may well need to make 'trade-offs' to ensure we focus on activities that add value.

7. What is Marketing Strategy?

Based in a strategic role, marketing aims to transform corporate objectives and business strategy into a competitive market position. Essentially, the concern is to differentiate our products by meeting customer needs more effectively than competitors. Marketing strategy can by characterized by (Whalley, 2010):

(a) analysing the business environment and defining specific customer needs

(b) matching activities/products to customer segments, and

(c) implementing programmes that achieve a competitive position, superior to competitors.

Therefore, marketing strategy addresses three elements – customers, competitors and internal corporate issues (see Figure 4).

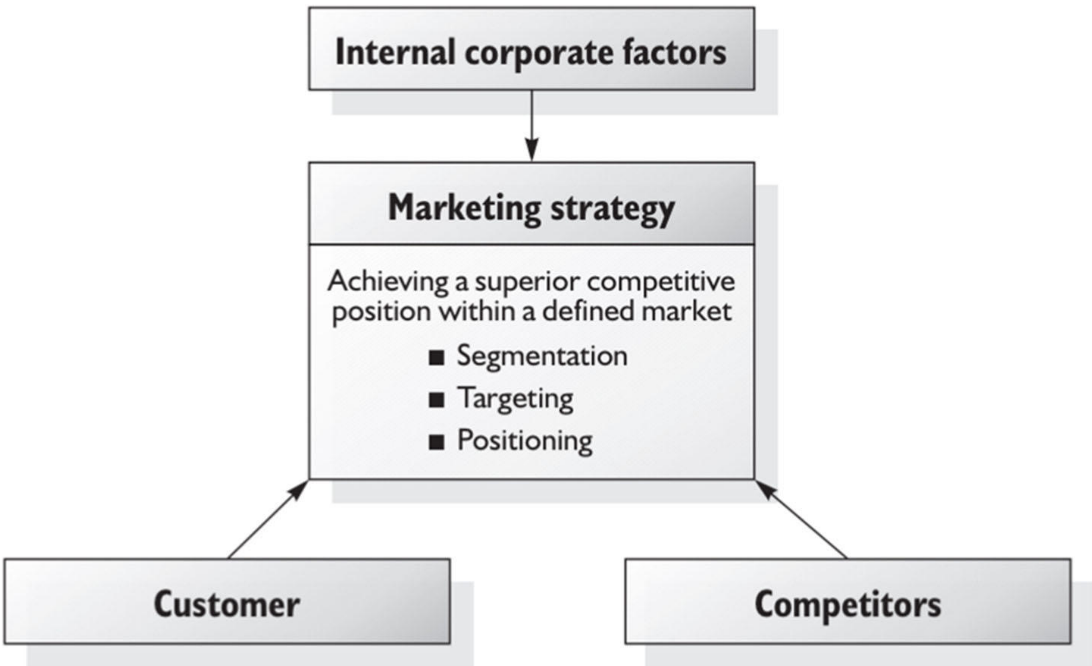

Figure 4. The basis of marketing strategy

Firstly, the main point to take under consideration are customers. Secondly, the best establishment of a competitive position should attempt. Finally, there should be a match between internal corporate capabilities with customer need. The successful achievement of these factors should enable the organization to develop, and maintain, a strong market position. Essentially, a marketing strategy aims to deliver the following (Ferrell, 2011):

1. Segmentation - This process breaks the market down into groups displaying common characteristics, behaviours and attitudes. Fundamentally, this process aims to understand need and forecast reaction or demand.
2. Targeting - This involves evaluating and selecting market segments. It is essential to look for opportunities which are sustainable, where there can be build long-term relationships with customers.
3. Positioning - As previously stated, it is important to establish a distinctive superior position, relative to competitors. The competitive position adopted should be based on matching product attributes to customer need.

As a result, the three key constituents of marketing strategy, customers, competitors and internal corporate factors are dynamic and constantly changing.

Therefore, organizations must develop and deploy processes, procedures and techniques that ensure market strategy is:

(a) relative to the current/future business environment,

(b) sustainable,

(c) generating optimum benefits to both the organization and customers, and

(d) correctly implemented.

This is the process of strategic marketing management.

7.1. Strategic analysis

To move forward we must first answer the question of where do we are. This stage explains a detailed examination of the business environment, customers and an internal review of the organization itself. Tools such as various analysis and industry structure models (Wijk, et al., 2012) help management to assess objectively the organization's coherently position. Equally, it is important to develop some view regarding to the following trends. This is achieved through forecasting and defining hypotheses about the future market trends.

7.2. Formulating strategy

Having analysed the situation, then it can determine a way forward. Formulation involves defining strategic intent, what are the overall goals and objectives. Managers need to formulate a marketing strategy that generates competitive advantage and positions the organization's products effectively. To be successful, this must be based on core competencies, as stated before. During this stage, product development and innovation are strategic activities, which offer the potential to enhance competitive position and further develop products and brands (Liedtka, 1992). Additionally, formulation emphasizes the need to form relationships with customers and other businesses. Increasingly, it can be seen organizations recognizing that they cannot do everything themselves and looking to form joint helpful partnerships. The formulation stage reaches the peak with the development of a strategic marketing plan.

7.3. Implementation

Consideration needs to be given to implementing the strategy. Marketing managers will undertake programmes and actions that deliver strategic objectives. Such actions, will often focus on individual elements of the marketing mix. Additionally, a process of monitoring and control needs to be put in place. This ensures compliance and aids decision making (Porter, 1996).

Figure 5 provides an overview of the process of strategic marketing management. The three components form a planning cycle (analysis, formulation and implementation) and while being interactive in nature, with information being feedback to enable objectives and strategy to be reviewed and amended. Ultimately, the process will establish the organization's marketing mix, products, price, promotion and place, which underpins and conveys our marketing strategy.

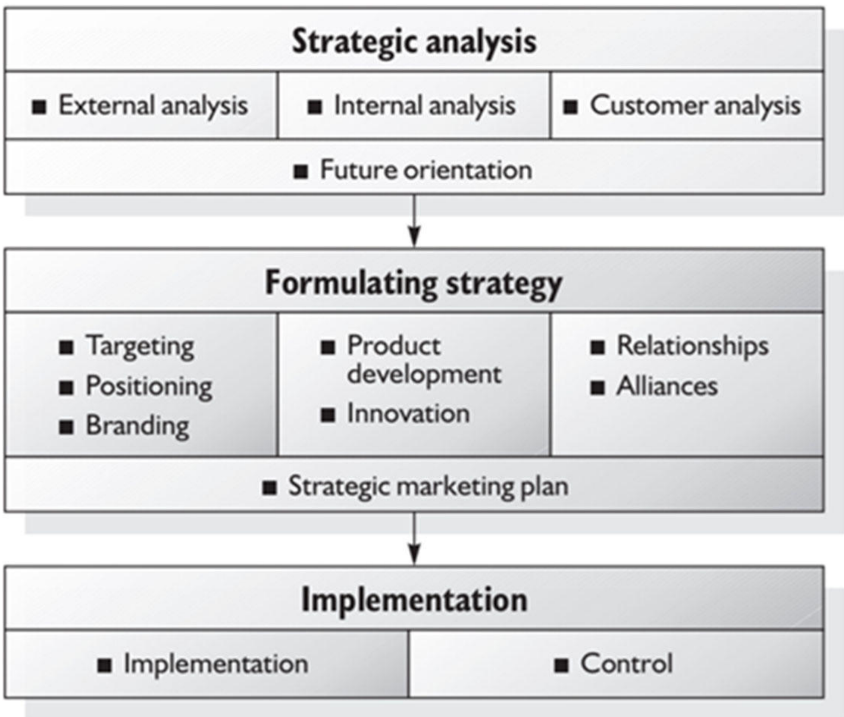

Figure 5. Strategic marketing

8. Conclusion

In today's highly competitive environment, an organisation has to develop a business strategy that provides a strategic fit between its resources and the changing business environment. Marketing strategies consist of many factors and parts. Marketing research is an important part in the marketing process. This will give business owners information on what the client's wants and needs are. This will help them determine if their product meets their demands and if they should improve the product.

Although marketing strategies indicate the general rules to be used in achieving product objectives, the implementation of these strategies through marketing programmes is the most time-consuming part of marketing management. No matter how appropriate a strategy might appear, it will fail if not properly implemented. Consequently, clear statements regarding target markets and marketing strategies are necessary to ensure that the correct programmes and tactics will be developed.

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