

Introduction to Marketing Essentials
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Lecture - 03
Developing Successful Marketing and Organizational Strategies – I

Welcome to this course on introduction to marketing essentials. Now, we will talk about the 2nd topic in the 1st part. The 2nd topic is on developing successful marketing and organizational strategies. This would be covered in module 3 and module 4.

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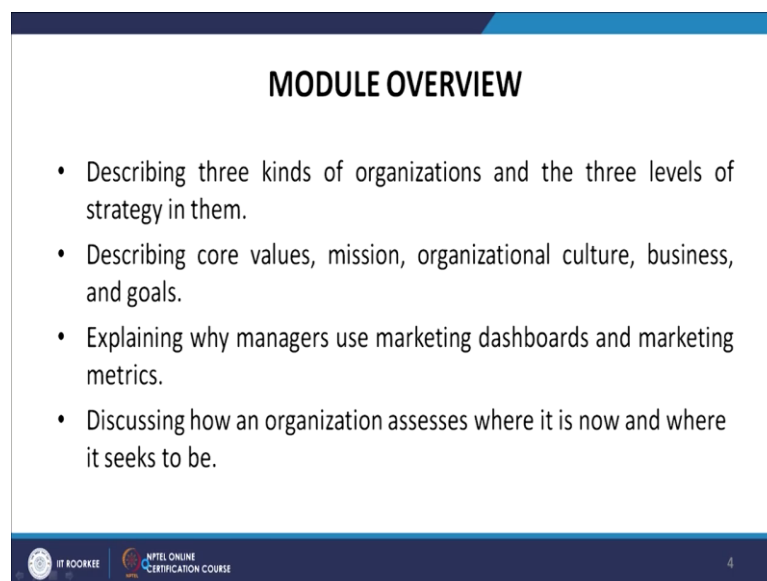


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Now, let us start with module 3 and look at what are the things that will be covered in this module.

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So, this module starts with describing the three kinds of organization and the three levels of strategy in them. Then it describes what are core values, mission, organizational culture, business and goals. Then we will explain why managers use marketing dashboards and marketing matrix and then in the last we will discuss how an organization assesses where it is now and where it seeks to be. To start with in studying today's visionary organizations.

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INTRODUCTION

- In studying today's visionary organizations, it is important to recognize
 - 1 – the kinds of organizations that exist,
 - 2 – what strategy is, and
 - 3 – how this strategy relates to the three levels of structure found in many large organizations.

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It is important to recognize these three things. The first is the kind of organizations that exist today. The second is what strategy is and the third is how this strategy relates to the three levels of structure found in many large organizations.

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WHAT IS AN ORGANIZATION?

- An organization is a legal entity that consists of people who share a common mission.
- They develop offerings (products, services, or ideas) that create value for both the organization and its customers by satisfying their needs and wants.

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Now, let us try to answer this question. What is an organization? An organization is a legal entity that consists of people who share a common mission. They develop offerings. Offerings means products, services or ideas that create value for both the organization and its customers by satisfying their needs and wants. What are the different

types of organization? Different kinds of organization? So, first type kind of organization is for profit organization, normal business firms.

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KINDS OF ORGANIZATIONS

- Organization
 1. For-profit organization (business firm)
 2. Non-profit organization
 - Government agency
 - Social entrepreneurship
- Industry

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And the second kind of organizations is non-profit organizations that will include government agencies and social entrepreneurship and then there is another thing that is called as industry.

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KINDS OF ORGANIZATIONS

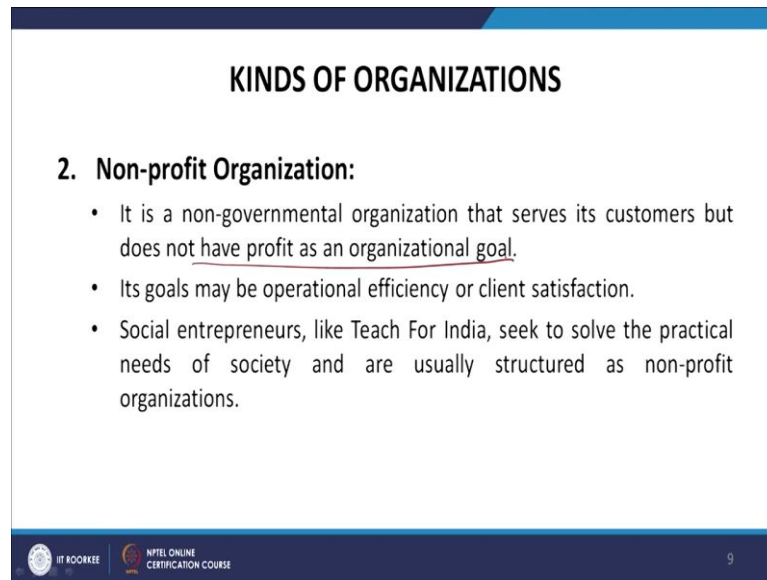
- 1. Business firm:**
 - It is a privately owned organization that serves its customers to earn a profit so that it can survive.
 - Profit is the reward to a business firm for the risk it undertakes in marketing its offerings. It is the money left after a business firm's total expenses are subtracted from its total revenues.

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Let us look at each one of them. So, what is a business firm? A business firm is a privately owned organization that serves its customers to earn a profit so that it can

survive. Profit is the reward to a business firm for the risk that it takes to undertake its marketing of its offering. It is the money left after the business firms total expenses are subtracted from its total revenues.

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The slide is titled "KINDS OF ORGANIZATIONS" in bold black text. Below the title, there is a section header "2. Non-profit Organization:" followed by three bullet points. The first bullet point states: "It is a non-governmental organization that serves its customers but does not have profit as an organizational goal." The second bullet point states: "Its goals may be operational efficiency or client satisfaction." The third bullet point states: "Social entrepreneurs, like Teach For India, seek to solve the practical needs of society and are usually structured as non-profit organizations." At the bottom of the slide, there are logos for "IIT ROORKEE" and "NPTEL ONLINE CERTIFICATION COURSE" on the left, and the number "9" on the right.

What are non-profit organizations? They are non-government organizations. They serve their customers, but do not have profit as an organizational goal. While business firm has profit as organizational goal non-profit organization although they may be doing the same thing, they do not have profit as an organizational goal. Its goal may be operational efficiency or satisfaction of the customers or clients satisfaction. Social entrepreneurs like Teach for India seek to solve the practical needs of society and are usually structured as non-profit organizations.

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MAKING RESPONSIBLE DECISIONS

- New types of organizations help entrepreneurs focus on passion and purpose
- Social Entrepreneurship:
 - Addresses important social needs and issues
 - Uses business concepts to change the world for good
 - Examples:
 - NexGenVest – Helps Gen Z Navigate Financial Aid & Student Loans
 - Teach For India



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How to go about making responsible decisions? These new types of organizations they help entrepreneurs focus on the passion and purpose. So, what are social entrepreneurs? They address important social needs and issues and use business concepts to change the world for good. For example, NexGenVest helps generation Z navigate financial aid and student loans. Another example of social entrepreneurship is Teach for India.

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INDUSTRY

- Organizations that develop similar offerings create an **industry**, such as the computer industry or the automobile industry.
- Much of an organization's marketing strategy is having a clear understanding of the **industry** within which it **competes**.

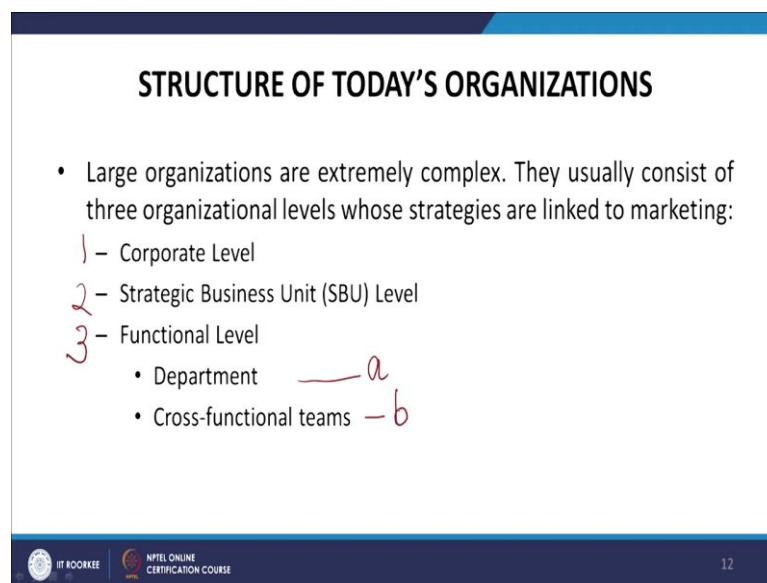
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Now, let us understand what is an industry. Organisations that develop similar offerings create an industry and recall that offerings are all those products, services and ideas. So,

organizations those develop similar offerings they create an industry such as computer industry or automobile industry or shoe industry or clothing industry. Much of an organizations marketing strategy is having a clear understanding of the industry within which it competes.

So, when we talk of competition we are generally talking about within industry competition. So, before you go about making a marketing strategy you should be clear about the industry in which your company competes.

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STRUCTURE OF TODAY'S ORGANIZATIONS

- Large organizations are extremely complex. They usually consist of three organizational levels whose strategies are linked to marketing:
 - 1 - Corporate Level
 - 2 - Strategic Business Unit (SBU) Level
 - 3 - Functional Level
 - Department — a
 - Cross-functional teams — b

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Now, what is the structure of today's organization? Keep in mind that large organizations are extremely complex. They usually consist of three organizational levels whose strategies are linked to marketing.

The first level is the corporate level, the second level is a strategic business unit or SBU level and the third level is the functional level. In this functional level, you can have 2 different types. One is the department and the second is cross functional teams. So, what is this corporate level? At the corporate level, top managers direct overall strategy for the entire organization.

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STRUCTURE OF TODAY'S ORGANIZATIONS

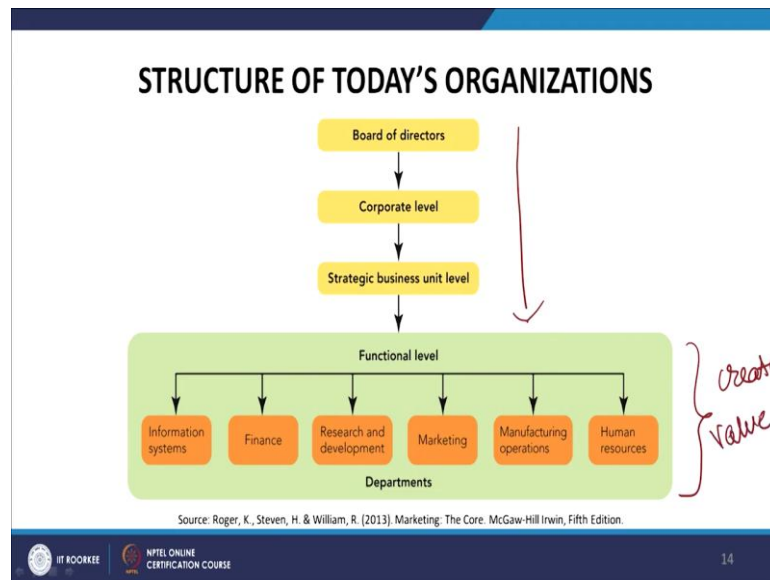
- At the **Corporate level**, top management directs overall strategy for the entire organization;
- At the **Strategic Business Unit level** (SBU level), managers set a more specific strategic direction for their businesses to exploit value-creating opportunities; and
- At the **Functional Level**, groups of specialists actually create value for the organization.

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So, at this level the top managements the top managers they direct the overall strategy for whole of the organization. Then, what happens at the strategic business unit or SBU level? The managers at SBU level set a more specific strategic direction for their businesses to exploit value creating opportunities. And how this strategy looks like at the third level that is the functional level? The groups of specialist actually create value for the organization. So, at the top level they direct.

At the SBU level the strategies become more and they have more specific strategic direction and at the functional level, they create value for the organization. So, this is what it looks like at the top is the Board of Directors, then comes the corporate level, SBU level and then the functional level.

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At functional level, you have all these departments, the information system department, the finance department, R&D department, marketing, operations and human resources department. So, you see that strategy is flowing from the Board of Directors to the corporate level to the SBU level and then to the functional level that is at the department level and this is where these departments they create value.

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The slide is titled 'WHAT IS STRATEGY?'. It contains a bulleted list of four points:

- An organization has limited human, financial, technological, and other resources available to produce and market its offerings—it can't be all things to all people!
- Every organization must develop strategies to help focus and direct its efforts to accomplish its goals.
- All organizations set a strategic direction.
- Marketing helps to both set this direction and move the organization there.

The slide footer includes the IIT ROORKEE and NITEL ONLINE CERTIFICATION COURSE logos, and the number 15.

Now, after having understood the 3 levels of organization now let us look at what is strategy. An organization has limited human, financial, technological and other resources

available to produce and market its offerings. It cannot be all things to all people. Therefore, every organization must develop strategies to help, focus and direct its efforts to accomplish its goals. All organizations set a strategic direction. Marketing helps in both to set this direction and to move the organization there. So, this is how marketing helps the organization by setting the direction and taking the organization there.

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WHAT IS STRATEGY?

- An organization's long-term course of action that delivers a unique customer experience while achieving its goals.
- Goals indicate what a business unit wants to achieve; strategy is a game plan for getting there.

– Phillip Kotler

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An organization's long-term course of action that delivers a unique customer experience while achieving its goals. So, that is one definition of strategy. Another is goals indicate what a business unit wants to achieve; strategy is a game plan for getting there -by Philip Kotler. So, how this strategy happens in visionary organizations? To be successful today's organizations must be forward looking. They must both anticipate future events and respond quickly and effectively.

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STRATEGY IN VISIONARY ORGANIZATIONS

- To be successful, today's organizations must be forward looking. They must both anticipate future events and respond quickly and effectively.
- A visionary organization must
 - specify its foundation (why does it exist?),
 - set a direction (what will it do?), and
 - formulate strategies (how will it do it?)

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So, a visionary organization must specify its foundation why does it exist as the first thing. Second it should set a direction what will it do and third formulate strategies on how will it do that? So, the first thing that visionary organization must do is to decide why do they exist, then they will decide what will it do and then how will it do it. Visionary organizations use key elements to first establish a foundation and second set a direction using the third one that is strategies that enable them to develop and market their products successfully.

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STRATEGY IN VISIONARY ORGANIZATIONS

- Visionary organizations use key elements to (1) establish a foundation and (2) set a direction using (3) strategies that enable them to develop and market their products successfully.

1 Organizational foundation (why)

- Core values
- Mission (vision)
- Organizational culture

2 Organizational direction (what)

- Business
- Goals (objectives)
 - Long-term
 - Short-term

3 Organizational strategies (how)

- By level
 - Corporate
 - SBU
 - Functional
- By product
 - Good
 - Service
 - Idea

Source: Roger, K., Steven, H. & William, R. (2013). Marketing: The Core. McGraw-Hill Irwin, Fifth Edition.

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So, let us start from here I am writing 1 over this organization foundation that is why. Why do we exist? Core values, vision and mission and the organization culture. The second is the organizational direction what. What businesses? What goals and objectives both long term and short term. And the third is organizational strategies how at various levels that is the corporate, SBU and functional level and by product that is goods, services and ideas. So, now let us look at the organizational foundations why does it exist. So, there are 3 elements of organizational foundations and the first is the core values.

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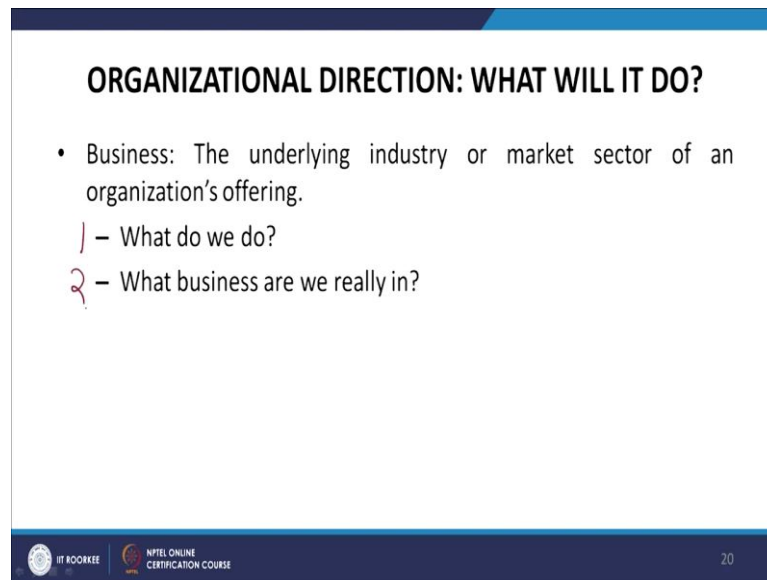
ORGANIZATIONAL FOUNDATION: WHY DOES IT EXIST?

- **Three elements of organizational foundation are:**
 - 1 – **Core Values:** The fundamental, passionate, and enduring principles that guide an organization.
 - 2 – **Mission:** A statement or vision of an organization's function in society.
 - 3 – **Organizational Culture:** The set of values, ideas, attitudes, and behavioral norms that is learned and shared among the members of an organization.

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The fundamental, passionate and enduring principles that guide an organization are the core values. Second is the mission, a statement or vision of an organization's function in society and the third is organizational culture; the set of values ideas, attitudes and behavioral norms that are learned and shared among the members of an organization.

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ORGANIZATIONAL DIRECTION: WHAT WILL IT DO?

- Business: The underlying industry or market sector of an organization's offering.
 - 1 – What do we do?
 - 2 – What business are we really in?

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Next thing that we need to understand is what organizational direction is. What will it do? Business is the underlying industry or market sector of an organization's offering. What do we do and what businesses are we really in.

So, these are some of the questions that organizations have to continuously ask and answer. What do we do? What businesses are we really in? So, the questions may seem to be similar on the face of them, but then the answers can be very thought provoking and it may take a lot of time for the organization to answer these questions and thereby clarify their organizational direction.

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ORGANIZATIONAL DIRECTION: WHAT WILL IT DO?

- Goals (or objectives): Targets of performance to be achieved, often by a specific time. Business firms can pursue several different types of goals:
 - Profit
 - Sales
 - Market share
 - Quality
 - Customer satisfaction
 - Employee welfare
 - Social responsibility

Name a few not an exhaustive list.

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Goals and objectives: Targets of performance to be achieved often by a specific time. Business firms can pursue several different types of goals. Now, these are the various types of goal that any business firm can pursue. They can pursue profits, sales, market share, quality, customer satisfaction, employee welfare, social responsibility. They are just to name a few. So, this is not exhaustive list. Some organization may seek to be a technology leader.

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ORGANIZATIONAL STRATEGIES: HOW WILL IT DO IT?

- **Variation by Level**
 - Corporate
 - SBU
 - Functional
- **Variation by Product (or Offering)**
 - Product
 - Service
 - Idea

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There can be variations in the strategy by various levels the corporate, SBU and functional and there can also be variations by product or offering that is product, service or idea.

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TRACKING STRATEGIC PERFORMANCE WITH MARKETING ANALYTICS

- **Marketing Dashboard:** The visual computer display of essential marketing information related to achieving a marketing objective.
- **Marketing Metric:** A measure of the value or trend of a marketing activity or result.
- **Data Visualization:** It presents information about an organization's marketing metrics graphically so marketers can quickly,
 - 1 – spot deviations from plans and
 - 2 – take corrective actions

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How to go about tracking strategic performances with marketing analytics. One such tool is Marketing Dashboard: The visual computer display of essential marketing information related to achieving a marketing objective.

Second is marketing metrics: A measure of the value or trend of a marketing activity or a result and the third is Data Visualisation: It presents information about an organization's marketing metrics graphically so marketers can quickly spot deviations from the plans and take corrective actions. So, the idea of data visualisation is that it becomes easier for the managers to track major differences. They can spot deviation from the plans and then they can timely take corrective actions.

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An effective marketing dashboard helps manager assess a business situation at a glance. So, now, this figure comes from Dundas data visualisation incorporation. Now, you see that on the left we have this marketing dashboard as of December 2015. So, it says about website traffic sources and there is this month and last month. Now, this circle shows from where the traffic is coming. So, there is Google, LinkedIn, YouTube and Twitter, Facebook and direct traffic. These are the various percentages, and then there are various search engines.

So, these are referral sites then there are some search engines and then direct traffic. Now, on the right they are giving this sales performance by various SBU. So, what is the sales performance of hardware SBU, what is the sales performance of electronics SBU and what is the sales performance that comes from software and peripherals and then you have grand total.

Now, what does this red means? So, this is for revenues versus targets. So, when they are showing red in front of hardware it means that the actual revenues are not meeting the targets. Then this is the third display that is website visit by the state. It tells from which state their websites are being visited by.

So, they can understand from which state people are viewing their website more and from which site they are coming to their site. Is it through the Facebook, Twitter or through Google or Bing or they come to their website directly.

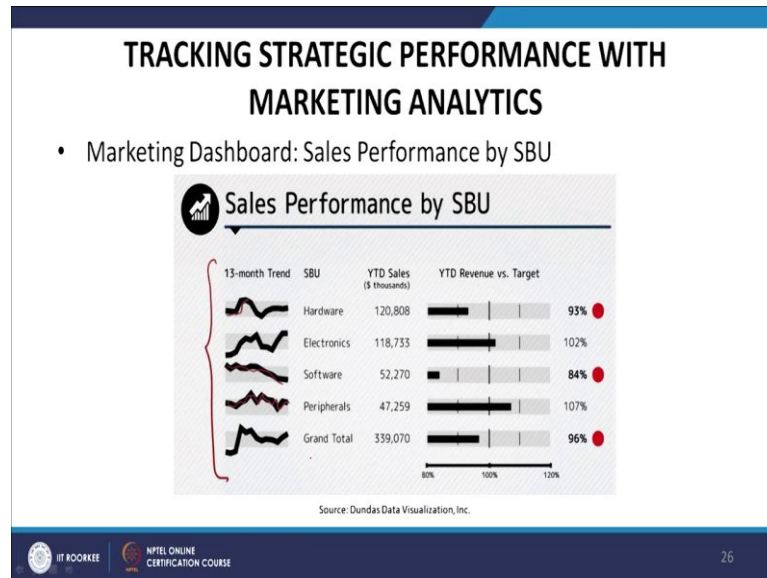
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So, this data marketing dashboard gives a detailed view of the website traffic sources. From Facebook 15 percent of it comes, from Twitter the 13 percent, from YouTube it is 10 percent, from Search Engine 34 and from Bing it is 3 and from direct traffic it is 16 percent.

So, approximately it totals up to 100. So, now you see that in search engine you see 34 percent comes from Google while only 3 percent comes from Bing and from referral sites Facebook contributes most to the visit while LinkedIn and others have a small share in that.

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Another thing that it showed was the sales performance by the SBU. So, now, here you can look at this 13 months trend. It is a straight line here then it goes up and come down for hardware, for electronics it is more erratic, software it is coming down, peripherals again it goes up comes down and the grand total. So, this is how the revenues and targets they match up.

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Then this third slide it shows marketing dashboard that is monthly website visit by the state. So, these white states they where the colour is white, no visitors are coming from

those states. From light blue 10,000 people are visiting and from black 20,000 visitors are visiting their website. So, now, it becomes easier for the company to target the states and it also becomes easier for the company to look at which SBUs are performing well and which are not performing well.

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The slide is titled "SETTING STRATEGIC DIRECTIONS". It contains a bulleted list with two items. The first item is "To set a strategic direction, an organization needs to answer two difficult questions:". The second item is a list of two questions: "1- Where are we now? and" and "2- Where do we want to go?". There are handwritten red annotations: "2" next to the second question, and "1" next to the first question. A large handwritten note in red says "(where you are standing)" next to the first question and "(where do you want to go from here)" next to the second question. The slide footer includes the IIT ROORKEE logo, the text "NTEL ONLINE CERTIFICATION COURSE", and the number "28".

So, now it becomes easier for the managers to just have a glance and understand what is happening. Then we come to setting strategic directions. To set a strategic direction an organization needs to answer two difficult question. One is where are we now? And the second is where do we want to go?

So, when we have to set a strategic direction these are the two difficult questions that are needed to be answered; where are we now and from here where do we want to go. So, it involves that you should be first clear that where you are standing. Once that becomes clear another difficult question is where you want to go from here.

Now, if you get the answer to the first question wrong, then obviously the answer to the second question will be wrong. The first thing that you need to do is to answer the first question very clearly and then the second question becomes slightly easier to answer. Now, this involves identifying competencies that is the competitive advantage, the competitors and the customers.

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**SETTING STRATEGIC DIRECTIONS:
WHERE ARE WE NOW?**

- This involves identifying
 - Competencies
 - Competitive advantage
 - Customers
 - Competitors of a firm

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So, in order to answer these two questions where are we now and where do we want to go, we have to identify our competencies that is our competitive advantage, our customers and our competitors. So, what are competencies? Competencies are “what do we do best?”

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**SETTING STRATEGIC DIRECTIONS:
WHERE ARE WE NOW?**

- **Competencies: “What do we do best?”**
- An organization’s core competencies are its special capabilities—the skills, technologies, and resources—that distinguish it from other organizations and provide customer value.
- Exploiting these competencies can lead to success.
- Competencies should be distinctive enough to provide a **competitive advantage**, a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation.

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An organization’s core competencies are its special capabilities, the skills, technologies and resources that distinguish it from other organizations and provide customer value.

An organizations core competencies are it's a special capabilities. A special capability may include the skills, the technologies that they have and other resources.

Now, these three put together should be able to distinguish the organisation from the other organizations and second it should provide customer value. So, both of them should be looked after simultaneously. Exploiting these competencies can lead to success. Competencies should be distinct enough to provide competitive advantage.

So, one characteristic of competency is that they should be distinctive enough, a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation. So, these competencies should be distinctive enough to provide competitive advantage. How? A unique strength that is relative to the competitors and that provides superior returns. How they should provide superior returns? Based on quality, time, cost, or innovation.

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The slide features a blue header with the text 'SETTING STRATEGIC DIRECTIONS: WHERE ARE WE NOW?'. Below the header, there are two bullet points. The first bullet point is about 'Customer' and the second is about 'Competitors'. At the bottom of the slide, there are logos for 'IIT ROORKEE' and 'NPTEL ONLINE CERTIFICATION COURSE', along with the number '31'.

**SETTING STRATEGIC DIRECTIONS:
WHERE ARE WE NOW?**

- **Customer:** Identifying “Who do we serve?” Strategy must provide genuine value to customers to ensure that they have a satisfying experience.
- **Competitors:** In today’s global marketplace, the distinctions among competitors are increasingly blurred. Firms compete on different channels and due to advances in internet technology the competition is increasing.

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Now, customers: Identifying “who do we want to serve?” So, who are customers? Therefore, the question needed to be answered is who do we serve? A strategy must provide genuine value to customers to ensure that they have a satisfying experience. And who are the competitors?

In today, global marketplace the distinctions among competitors are increasingly blurred. Firms compete on different channels and due to advances in internet technology the

competition is increasing. Another thing that you need to understand is where do we want to go? Till now we were looking at where we are standing.

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Slide 32: SETTING STRATEGIC DIRECTIONS: GROWTH STRATEGIES –WHERE DO WE WANT TO GO?

- Two techniques to aid managers with these decisions are:
 - Business Portfolio Analysis
 - Diversification Analysis

Handwritten note: } where do we want to go.

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Now, we are looking at where we want to go. So, there are these growth strategies. So, these two techniques aid managers with their decision. First is the business portfolio analysis and second is diversification analysis. These two analyses tell us where do we want to go.

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Slide 33: SETTING STRATEGIC DIRECTIONS: GROWTH STRATEGIES –WHERE DO WE WANT TO GO?

- **Business Portfolio Analysis:** A technique that managers use to quantify performance measures and growth targets of their firms' strategic business units.
- The BCG business portfolio analysis requires an organization to locate the position of each of its SBUs on a growth-share matrix.
 - The vertical axis is the market growth rate
 - The horizontal axis is the relative market share

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So, what is this business portfolio analysis? It is a technique that managers use to quantify performance measures and growth targets of their firms' strategic business units. The BCG that is Boston Consulting Group business portfolio analysis requires an organization to locate the position of each of its SBU on a growth-share matrix. So, a growth-share matrix is made and each SBU is located on that matrix. On the vertical axis is the market growth rate and on the horizontal axis it is the relative market share.

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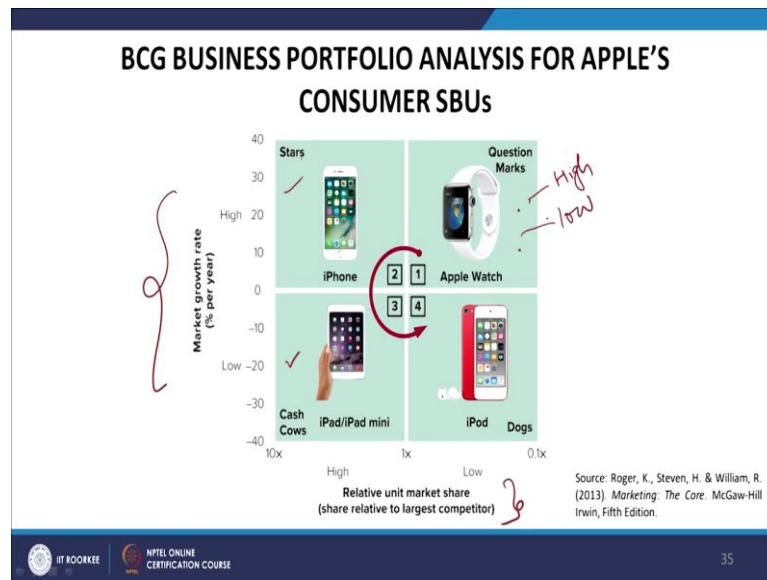
**SETTING STRATEGIC DIRECTIONS:
GROWTH STRATEGIES - WHERE DO WE WANT TO GO?**

- The BCG has given specific names and descriptions to the four resulting quadrants.
- These are based on the amount of cash they generate for or require from the organization:
 - 1 - **Question Marks**: Low Share of High-Growth Market
 - 2 - **Stars**: High Share of High-Growth Markets
 - 3 - **Cash Cows**: Generates Large Amounts of Cash
 - 4 - **Dogs**: Low Share of Slow-Growth Markets

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Keep in mind we are talking of relative market share and not just the market share that BCG matrix has given a specific names and descriptions to the four resulting quadrants. These are based on the amount of cash they generate for or required from the organization. So, these are the four quadrants. First is the question mark that is low share of a high growth market, stars that is high share of a high growth market, the third is cash cows that generate large amount of cash and dogs low share of a slow growth market. This is what this BCG looks like.

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Now, you see on this x-axis we have relative market share. Relative market share means share relative to the largest competitor. So, we are worried about the largest competitor and not all the competitors. On this axis, we have this market growth rate that is percent per year. This market growth rate it can go from minus 40 to plus 40 or minus 10 to plus 10 etcetera. And on the x-axis that is relative market share it is 10 x, 1 x and 0.1 x. x is the share of the largest competitor. So, you can be 10 times the share of the largest competitor or 1 time or 0.1 times.

Now, if you look at this quadrant which is mentioned as 1 here. So, in this quadrant the market growth rate is high while the relative market share is low. So, that is why they are called as question marks. Here, in cash cows you are much bigger than the competitors. Here, in this you are much bigger than your nearest largest competitor, but the growth rate is not there. So, that is why they are called as cash cows. You can take lots of money from this place while in the stars both of them are high. Your market share relative to the competitors is also very high and the market growth rate is also very high. Another analysis that needs to be done is diversification analysis.

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SETTING STRATEGIC DIRECTIONS: GROWTH STRATEGIES –WHERE DO WE WANT TO GO?

- **Diversification Analysis:** Diversification analysis is a technique that helps a firm search for growth opportunities from among current and new markets as well as current and new products.

- 1 – **Market Penetration:** Increase sales of Current Product in Current Markets
- 2 – **Market Development:** Sell Current Products to New Markets
- 3 – **Product Development:** Sell New Products to Current Markets
- 4 – **Diversification:** Develop New Products to sell in New Markets

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Diversification analysis is a technique that helps a firm search for growth opportunities from among current and new markets as well as current and new products. Now, these are the four options that a company can have.

The first is market penetration that is increase sales of current products in current markets. The second is market development sell current products to new markets. Third is product development sell new products to current markets and the fourth is diversification develop new products to sell in new markets.

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FOUR MARKET-PRODUCT STRATEGIES: ANSOFF MATRIX

PRODUCTS

	Current	New
CURRENT	1 Market Penetration	3 Product Development
NEW	2 Market Development	4 Diversification

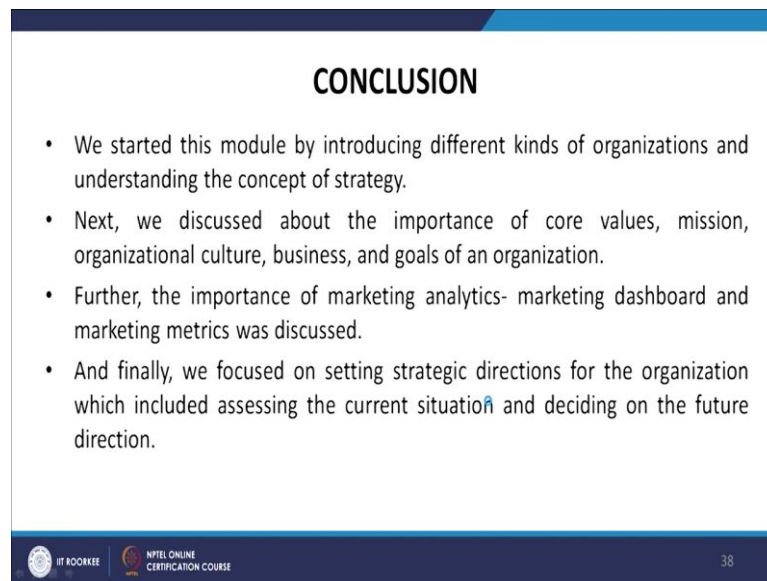
MARKETS

Diversification Analysis

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Now, this is what this matrix looks like. This is we are talking about diversification analysis and this matrix is called as Ansoff matrix. On one axis you have products current and new on another axis you have markets current and new. So, when the product is current and the markets are current it is market penetration. When the products are new the markets are current then it is 3. When the markets are new and the product is current it is 2. When both of them are new then it becomes diversification. The fourth is diversification.

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CONCLUSION

- We started this module by introducing different kinds of organizations and understanding the concept of strategy.
- Next, we discussed about the importance of core values, mission, organizational culture, business, and goals of an organization.
- Further, the importance of marketing analytics- marketing dashboard and marketing metrics was discussed.
- And finally, we focused on setting strategic directions for the organization which included assessing the current situation and deciding on the future direction.

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To conclude we started this module by introducing different kinds of organizations and understanding the concept of a strategy. Then we went on to discuss about the importance of core values, mission, organizational culture, business and goals of an organization.

Further we have a studied the importance of marketing analytics by way of understanding what are marketing dashboards and marketing matrix. And finally, we focused on setting strategic directions for the organization which included assessing the current situation and deciding on the future course of direction.

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These are the 3 books from which from where the material for this module was taken.

Thank you.