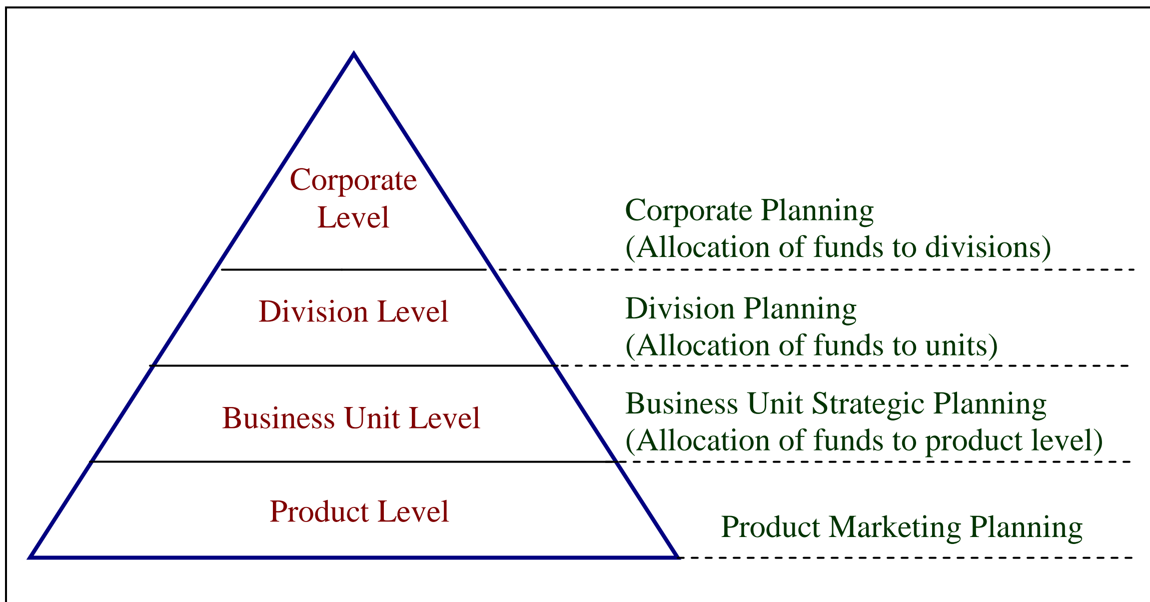
Market Oriented Strategies

Market oriented strategic planning is the managerial process of developing and maintaining a viable fit between the organisation's objectives and resources and the markets ever-changing opportunities and environment. And the aim of strategic planning process is to shape the company's businesses and products so that they yield target profits and growth.

Comments:

The company has to change with the changing market environment, even if it bears a heavy loss in case of changed technology or a changed trend. In mid-70s, many US companies were failed due to this main reason and the market competitors, i.e., Japanese companies took advantage of it and that companies like Sony, Toyota and Mitsubishi were appeared on the globe.

Organisational Levels of Large Companies:



Corporate and Business Strategic Planning:

It undertakes four planning activities:

1. Defining the corporate mission.
2. Establishing Strategic Business Units (SBUs)
3. Assigning resources to each SBU
4. Planning new businesses, downsizing older businesses.

1. ***Defining the corporate mission:*** Typically the corporate mission or mission statement consist of two elements:
   a. **Policies**, i.e., dealing with customers, stakeholders, suppliers, distributors, etc.

b. **Competitive scope**, i.e., industrial goods or consumer goods, competition on geographical basis, the range of products and applications, range of competition, for e.g., major electronic items, automobiles and cranes are manufactured by Mitsubishi.

2. ***Establishing Strategic Business Units (SBUs):*** A business must be viewed as a customer-satisfying process, not as a goods-producing process. Products are translents, but basic needs and customer groups endure forever. A horse-carriage company will go out of business soon after the automobile is invented, unless it switches to making cars. Some of the examples are enlisted below:

Company	Product Definition	Market Definition
Missouri Pacific Railroad	We run a railroad.	We are a people and goods mover.
Standard Oil	We sell gasoline.	We supply energy.
Columbia Pictures	We make movies.	We market entertainment.
Encyclopaedia Britannica	We sell encyclopaedias.	We distribute information.

A business can be defined in terms of three dimensions, customer groups, customer needs and technology. An SBU has three characteristics:

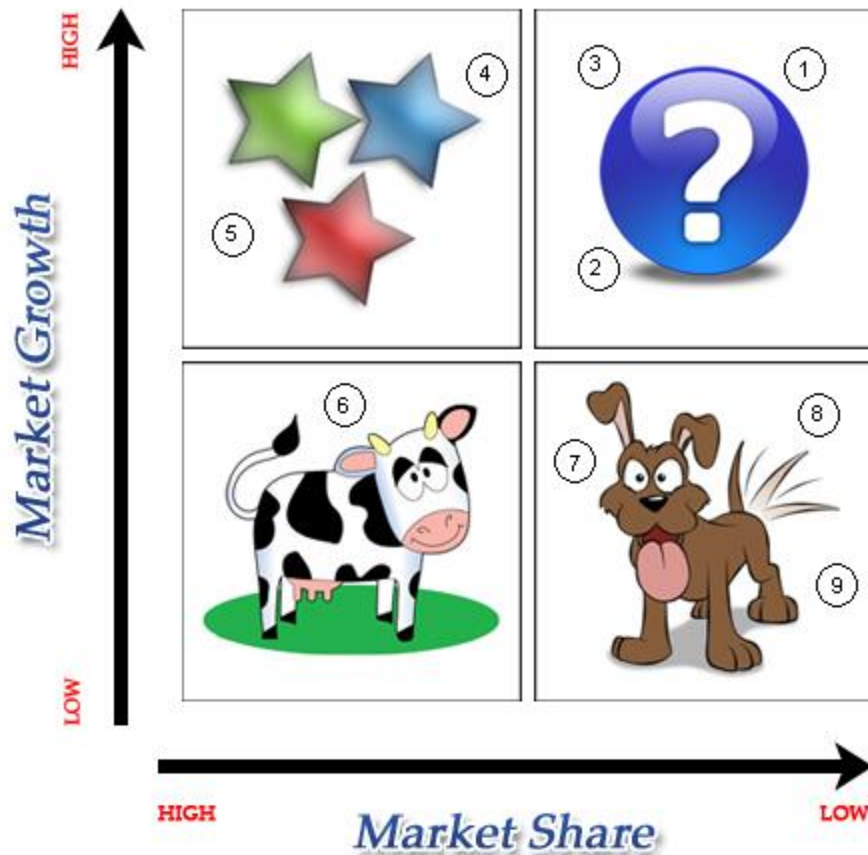
a. It is a single business or collection of related businesses that can be planned separately from the rest of the company.

b. It has its own set of competitors.

c. It has a manager who is responsible for strategic planning and profit performance and who controls most of the factors affecting profit.

3. ***Assigning resources to each SBU:*** The third step is to decide about assigning resources to each SBU. The marketer has to evaluate the profitability of each SBU. There are two best known business portfolio evaluation models:

a. **The Boston Consulting Group (BCG) Approach:** BCG is a leading management consultant group. It developed a 'market growth-share matrix'.



According to BCG model, all the business units are divided into four categories:

- ***i.*** Dogs
- ***ii.*** Question Marks
- ***iii.*** Stars
- ***iv.*** Cash Cows

i. ***Dogs:*** The companies or business units under 'dogs' category have less market share as well as less market growth rate. Therefore, the marketer or investor should consider more critically to invest in 'dogs' business units.

ii. ***Question Marks:*** Question marks are the businesses that operate in high growth and low market share. Such business units have their opportunities to operate at high market share, the question mark is in the investor's or marketer's mind is "Where to invest?", and "How much to invest?"

iii. ***Stars:*** If the "Question Marks" business is successful, it becomes a star. A star is the market leader with high market growth rate

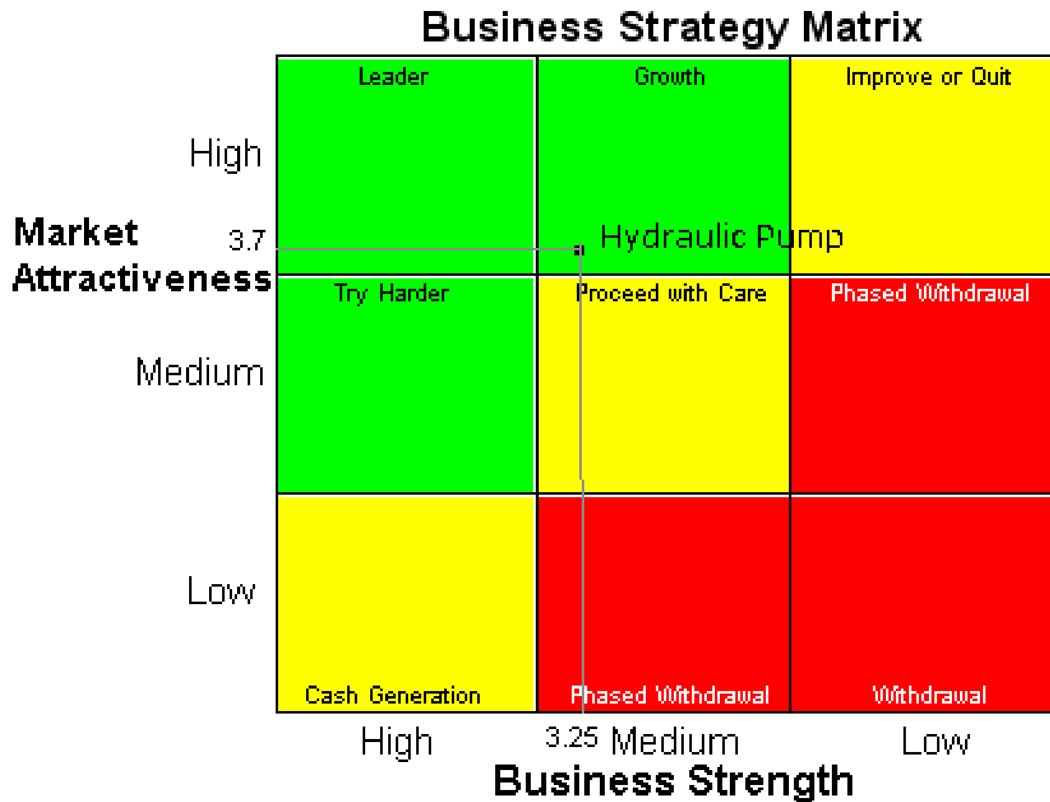
and high market share. A star does not necessarily produce positive cash flow.

iv. ***Cash Cows:*** A "Cash Cow" produces a lot of cash for the company, but the market's growth rate is lowered down. However, its relative market share is the highest.

The bubbles in each category represent different available business units. Each business unit has its own profitability and has its own market share at different market growth rates. Business units no. 4, 5 and 6 are considerably healthy business units. The figure also shows a life cycle, as the time passes, each SBU changes their position from dogs to question marks, from question marks to stars, from stars to cash cows and from cash cows to dogs.

b. The General Electric Model: According to GE Model, each SBU is rated in terms of two major dimensions, i.e., market attractiveness and business strength. To measure these two dimensions, strategic planners must identify the factors underlying each dimension, for example, for the hydraulic pump manufacturing and trading business, GE considers the following factors:

	Weight	Rating (1 – 5)	Value
Market Attractiveness:			
Overall market size	0.2	4	0.8
Annual market growth rate	0.2	5	1.0
Historical profit margin	0.15	4	0.6
Competitive intensity	0.15	2	0.3
Technological requirements	0.15	4	0.6
Inflationary vulnerability	0.05	3	0.15
Energy requirements	0.05	2	0.1
Environmental impact	0.05	3	0.15
	1		3.7
Market Strength:			
Market share	0.15	4	0.6
Share growth	0.15	2	0.3
Product quality	0.15	4	0.6
Brand reputation	0.05	5	0.25
Distribution network	0.05	4	0.2
Promotional effectives	0.05	3	0.15
Productive capacity	0.05	3	0.15
Productive efficiency	0.05	2	0.1
Unit costs	0.2	3	0.6
R&D performance	0.1	3	0.3
	1		3.25



4. ***Planning new businesses,*** downsizing older businesses: In planning new business, the gap between the desired sales and profit level, and the expected level is filled with different growth strategies. There are three options available:
   a. **Intensive growth:** There are three approaches for intensive growth strategy:
      i. To encourage its own customers to purchase more of its products,
      ii. To attract competitors' customers,
      iii. To attract non-users of such products.
   b. **Integrative growth:** Sales and profits can be increased through horizontal integration within its industry. For example, a manufacturing company may acquire more of its suppliers, to gain more control or generate more profit. This is called 'backward integration'. The example of 'forward integration' is the situation when company acquires its wholesalers or retailers.
   c. **Diversification growth:** Diversification occurs when good opportunities are found outside the current market and current product. Diversification growth occurs when the other industry is highly attractive with strong business strength. Following are the diversification strategies:
      i. ***Concentric diversification strategy:*** refers to the situation when the company seeks for new product having existing technologies and marketing factors though the new product may appeal to a different group of customers. For example: from music systems to game stations.

ii. ***Horizontal diversification strategy:*** refers to new products with new technologies and marketing synergies unrelated to existing product lines with current customers. For example: from desktop PCs to tablet PCs.

iii. ***Conglomerate diversification strategy:*** refers to new products, new technologies and absolutely new market. For example: from microchips to automobiles.