

Strategic Market Management—An Introduction and Overview

Strategic planning is not strategic thinking. Indeed, strategic planning often spoils strategic thinking, causing managers to confuse real vision with the manipulation of numbers.

—Henry Mintzberg, Management theorist

Marketing is not the art of finding clever ways to dispose of what you make. It is the art of creating genuine customer value.

—Philip Kotler, Marketing professor and author

Profit in a company is like oxygen for a person. If you don't have enough of it you are out of the game, but if you think your life is about breathing, you are missing something.

—Peter F. Drucker, Management guru

It is now almost cliché to say that there is nothing so constant as change. However, very few business observers would disagree with the view that companies are facing the most turbulent and dynamic set of management conditions experienced since the first business, Kongo Gumi—a shrine construction business—opened in Osaka, Japan in 578 AD.

Digital disruption is changing customer behaviors, business models, decision making, and how markets develop and companies compete. Artificial intelligence is changing business analytics and machines are now learning at an unprecedented pace. Between global pandemics and climate change, business risks have escalated and new opportunities abound. It goes without saying that Heraclitus' observation that “no man ever steps in the same river twice” is unquestionably true today.¹

One implication of this challenging level of dynamism is that marketing has grown in importance and responsibilities in companies. While brand, advertising, and digital marketing are marketing's top three responsibilities, The CMO Survey reports that marketing has also deepened its responsibilities in key strategic areas such as marketing analytics, revenue growth, innovation, and market entry. In response to the question, “How has the role of marketing in your company

changed during the last year?” between 60 and 72 percent of marketing leaders reported it has “increased in importance” during the 2020–2022 period.²

As a business function and as a process for creating and capturing value in companies, marketing is in a unique position to identify, evaluate, and develop strategies for a changing world. To begin, marketing’s focus on placing the customer at the center of strategy and making decisions based on customer and market insights keeps the company focused on its most important target. Driving strategy decisions with the goal to create and deliver more value to customers relative to competitors, marketing ensures there is an appreciation that the customer is the final arbiter of who wins in the marketplace. Given this customer focus, a strength in innovation, and cutting-edge digital tools and analytics, marketing can also offer companies profitable directions for growth. Finally, by guiding the management of customer relationships and brands to develop both into valuable assets, marketing plays a key role in the level of value the company is able to capture.

This book is concerned with helping managers identify, select, implement, and adapt marketing strategies that will enjoy a long-term competitive advantage in dynamic markets. The intent is to provide concepts, frameworks, tools, skills, and best practice case studies that will lead to capabilities in key strategic marketing tasks—and, ultimately, to high-quality decision making and profitable growth over the long-run.

This chapter starts by describing the core features of a company’s marketing strategy. It then turns to detail the nature of strategic market management as a process designed to help management create and implement a marketing strategy, including adapting strategies and introducing new growth strategies. A discussion of how the chapters in the book fit this process is outlined. Finally, the role of marketing leaders in the strategy process is discussed.

FOUNDATIONS OF MARKETING STRATEGY

Marketing strategy, like all strategy, involves decisions and actions regarding why, where, and how to compete. These core elements are depicted in Figure 1.1. “Why Compete” requires the organization to consider its purpose—both its larger purpose in society, its employees, and to its shareholders. It also points to the all-important role of customer value, which usually goes hand in hand with purpose. “Where to Compete” involves questions about the selection of the offering market and target market. “How to Compete” involves questions about the nature of value the company offers and the choice of resources—assets and capabilities—important to providing value and the company’s ability to capture profits to sustain this strategy. Finally, it is necessary to address how the company will “Organize to Compete.” This involves managing the company’s culture, structure, and people as well as the metrics that will guide decisions and evaluation of strategy. Each of these elements is discussed below.

Why Compete

Organizational Purpose

Strategy should be defined with the company’s purpose—what do we stand for? What binds us to the communities and world in which we operate?³ Purpose is a statement about the larger role that the company wants to play in society. This goes beyond profits for most companies and acknowledges the role that companies can play in creating a better world. For CVS Health, it is

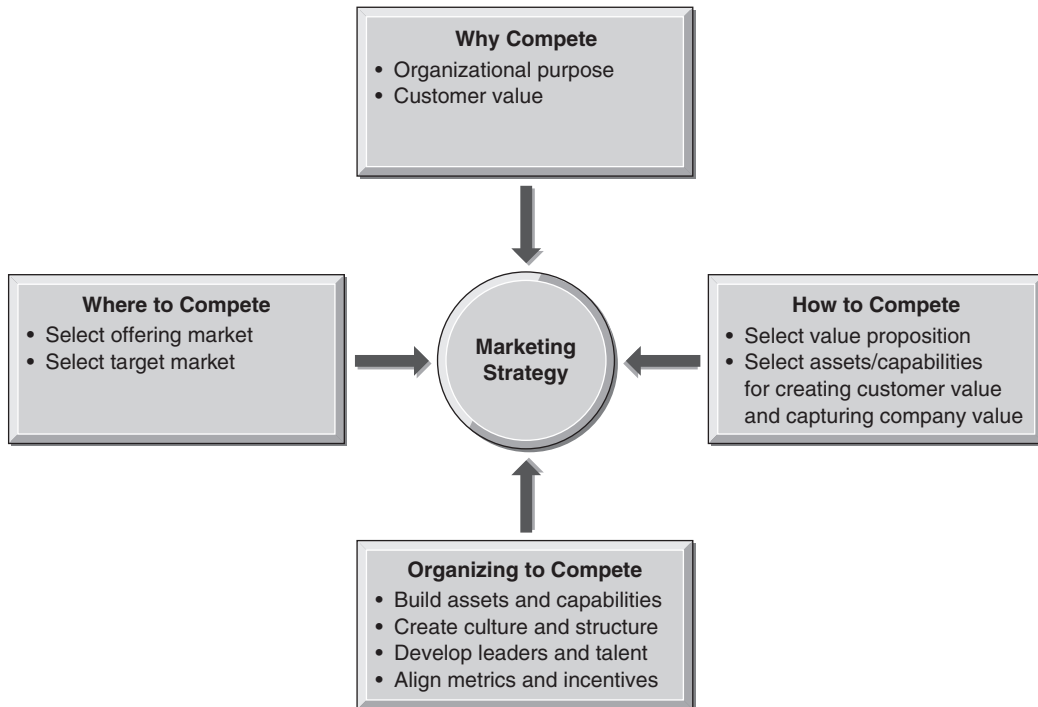


Figure 1.1 Core Elements of Marketing Strategy

about “Helping people on the path to better health” while Caterpillar seeks “to improve the quality of life while sustaining our earth.” This purpose puts important guardrails on where and how the company will compete—both key features of marketing strategy.

To be clear, this purpose is not about draining profits for social causes. As Larry Fink, CEO of Blackrock noted, “Profits are in no way inconsistent with purpose—in fact, profits and purpose are inextricably linked. Profits are essential if a company is to effectively serve all of its stakeholders over time—not only shareholders, but also employees, customers, and communities.”⁴ In fact, a larger purpose has been found to be correlated with 7.6 percent higher future annual risk-adjusted stock returns.⁵ Further, purpose has been found to drive relevant employee behaviors (e.g., sustainability) by causing them to take psychological ownership of that purpose.⁶

We see this blend manifesting at Salesforce. After leaving Oracle in 1999, Marc Benioff founded Salesforce to introduce a B2B service software (software as a service) focused on customer relationship management (CRM). It came to dominate the market over the ensuing decades. Salesforce’s strategy is premised on the idea of harnessing its technologies for its customers and for the broader world. As described in detail in the case at the end of the chapter, Benioff built social programs directly into Salesforce’s for-profit business model and technology strategy. At the core is the 1-1-1 model in which the company gives 1 percent of employees’ time annually, 1 percent of its product annually, and 1 percent of its equity toward social efforts. As of 2022, Salesforce had been the market leader for 8 years, sales were over \$26 billion, and the company had a market cap of around \$200 billion.⁷

The Customer Value Imperative

Strategies must create value for customers to succeed. If not, decisions about where and how to compete are unlikely to succeed. Unfortunately, “value” is one of the most overused and misused terms in business. Thus, a “value” price is often wrongly used to mean a low price or a bundled price. Low-priced products can indeed offer customers excellent value. However, equating customer value with low price obscures the more fundamental role value plays in how markets operate and how companies must compete.

Customer value is about the difference between the benefits customers perceive they are getting from an offering (i.e., product or service) minus the perceived cost of obtaining these benefits—adjusted for the riskiness of the offering. Think about customer value using the following approach: $\text{Customer Value} = [1 - \text{Perceived Risk}] \times [\text{Perceived Benefits} - \text{Perceived Costs}]$. The greater the perceived benefits and/or the lower the perceived total costs and/or risks of a product, the greater the customer value and the higher the likelihood the customer will choose that product.

Theodore Levitt famously observed that “People don’t want to buy a quarter-inch drill. They want a quarter-inch hole!” *Perceived benefits* are the outcomes customers associate with a product, service, or relationship from a company. What people want from a copier are speed of throughput and print quality, while people want fun, excitement, and escape from a video game.

Customers’ *perceived costs* also have many dimensions. Price paid is the most straightforward cost. However, examining the full range of costs customers incur in their search, acquisition, and disposal of products represents total life-cycle costs. In the personal computer market, for example, the total life-cycle costs include acquisition costs (comprised of searching, ordering, price paid, processing, receiving, and installing costs), operating costs (notably energy consumption), psychological costs of learning a new system, and maintenance (including the cost of software upgrades, technical assistance, and repairs), and disposal costs.

Customer choices are also swayed by differences in *perceived risks* between offerings and the companies that sell them. The degree of risk depends on the buyer’s uncertainty about the answers to questions such as, Can I trust the supplier’s promises? Will the offering perform as expected? Will the vendor stay around to support the product in the future? Small and new companies with unknown brand names, no recommendations, and limited track records are at a real disadvantage because perceived risks sharply offset the gains from any perceived superior benefits.

Leaders should be wary of the following common strategy pitfalls in managing for customer value. First, attributes do not replace benefits. Attributes are the product or service features that the company offers to the customer—the quarter-inch drill. The benefit is what the customer gets—the quarter-inch hole—and any other needs that are met by the hole, such as pride in being a do-it-yourself mom. Second, within markets, customers vary in their emphasis on certain costs and benefits. Some segments of video game customers want high-tech performance features in a game that make it more realistic or futuristic, such as *Cyberpunk 2077* and *Metro Exodus*; other segments want to personalize their characters and experience such as in *Elden Ring*, *World of Warcraft*, and *Minecraft*; still others may look to maximize the value for their money by purchasing *Fortnite*, *League of Legends*, and *Apex Legends*. Third, customer value is dynamic. At any point in time, customers have a preference and know what they value. However, as customers become more experienced and competitors shift priorities, customer value evolves.

Where to Compete

The scope of the business represents a very basic strategy dimension. Which markets should receive investments in resources and management attention? Which should have resources withdrawn or withheld? Two key strategy decisions are choice of offering market and choice of target market.

The Offering Market Strategy

An *offering market* is the broader sector or industry in which the company will compete, such as baby care, technology stacks, dairy products, or consulting services. A primary objective of strategic market analysis is to determine the relative attractiveness of these alternative markets to the company. Environmental, customer, and competitor analysis will provide the foundation for this assessment. To this, market analysis will add consideration of market size, market growth, the size and growth of emerging submarkets, the cost structure of market, its distribution systems, market profitability, and company performance on key success factors important to competing in that market.

This decision also involves what products or services to avoid because such a decision, if followed with discipline, can conserve the resources needed to compete successfully elsewhere. Peter Drucker, the management guru, challenged executives to specify—“What is our business and what should it be? What is not our business, and what should it not be?” Such a judgment can sometimes involve painful choices to divest or liquidate a business or avoid an apparently attractive opportunity.

The Target Market Strategy

Following the selection of offering market, the company must determine its *target market*. This is the segment of people in the offering market that the company wants to develop long-term relationships with and convert into valuable customers for its business. Offering markets will have a range of segments. Companies can target one or more segments to align with their strategy. The decision about which segment(s) will be chosen should be made together with the design of a company’s value proposition. This is because certain target markets will have needs and motivation—as well as financial constraints—that make them more or less interested in certain types of value. Segments should also be evaluated by examining the target market’s size, growth, purchasing power, usage, existing equities, spillover, and competition.

How to Compete

Select the Customer Value Proposition

The *customer value proposition* is a clear statement about what sources of distinctive value the business wants to offer the customer. To be successful, the target market selected must find the value relevant and meaningful. It must also be supported by all aspects of the company’s strategy. Jessica Alba’s Honest Company promises consumers “effective, unquestionably safe, and eco-friendly” body and home products, all ingredients must reflect this status—a point questioned in recent lawsuits brought against the company. To be credible, all other aspects of the company’s communication and interactions must also support this position, including where the product

is sold, the transparency of the salespeople, and all online interactions. To support a successful strategy, the value proposition should be sustainable over time and be differentiated from competitors.

Home Depot and Lowe's are home improvement retailers with very different value propositions. Home Depot has very austere, functional stores that are designed to appeal to contractors and homeowners on the basis of good price and basic functionality. Lowe's strategy since 1994 has been to have a softer side, a look that is more comfortable to women. Thus, their stores are well lit, the signs colorful and clear, the floors spotless, and the people friendly and helpful. Years later, the Lowe's strategy has traction, and Home Depot, with service problems caused by a cost reduction program, is attempting to adjust its own value proposition.

A value proposition is just table stakes for competing, however. The most effective strategies pave the way for customer value leadership, which means the company performs very well on one type of value and at least meets basic levels on other types. For example, while IKEA competes on price, its no-frills products measure up to basic standards of functionality and its store environments, while simple, are clean, well-lit, and organized. Customer value leaders make decisive choices about which customers they will target within a market and what types of value they will offer.

Select Assets and Capabilities

Depending on where the company chooses to compete and the value proposition it offers, certain resources in the form of assets and capabilities will be more or less important. Resources that help the company create the value it promises customers and capture value for itself in the form of profits should be the focus.

A strategic *asset* is a resource that the company owns or controls that can be leveraged in the design or implementation of the company's strategy. Assets are both tangible (land) and intangible (committed employees) and include general resources such as financial assets, human assets (leaders and employees), physical assets (plant and equipment), legal assets (patents and trademarks) as well as marketing assets in the form of strong brand reputations, customer relationships, and powerful knowledge of markets.

A second resource, *capabilities*, leverages these assets to perform activities important to the company's strategy. They do so through organizational processes, which guide actions for a particular activity, such as developing outstanding new products, across the company. Without the right assets, these processes are not likely to have much impact. At the same time, assets—whether they are smart employees, patents, or strong brands—will not help the company unless they are leveraged repeatedly through strong processes.⁸

According to resource-based theories of the company, these resources help produce competitive advantage because they can be converted into sources of value for customers. The ability of assets and capabilities to offer an advantage over the long run will depend, in part, on their strength relative to competitors. To what extent are the assets and capabilities unique or rare in the marketplace? If unique now, how easily can they be imitated by competitors? Many assets require a long time to develop and so competitors trying to build the strength of Amazon's strong customer relationships may be hopelessly behind. Competencies are often difficult to imitate because competitors cannot easily understand the recipe required to create such outstanding processes. This is why Southwest Airlines is known to offer tours of their offices and activities—it knows the special ingredient that makes its culture such a valuable asset can neither be understood nor imitated very easily!

Assets and capabilities leveraged across multiple offering markets offer additional synergies that can be a source of competitive advantage. Synergies can come in many forms. Two businesses can reduce costs by sharing a distribution system, sales force, or logistics system, as is the case for Walmart, which partnered with P&G to increase the efficiency of its order placement, order processing, cross-docking, and inventory holding. Synergy can also be based on sharing the same asset, as with the HP brand shared by dozens of business units or a capability such as Toyota's ability to manage manufacturing plants across brands and countries. Another source of synergy is the sharing of functional area strategies across business units. For example, Diageo sponsoring the World Cup benefits all brands across divisions. Another synergy source is the sharing of R&D. P&G aggregates brands such as Head & Shoulders, Aussie, Infusion, and Pantene into a hair care category not only to provide shelf space guidance to retailers and to create promotions more easily, but also to manage its innovation processes. Finally, a combination of products can provide a value proposition. Some software companies have aggregated products in order to provide a systems solution to customers; Microsoft Office is one example.

Organizing to Compete

Once the company has established why, where, and how it will compete, it should then work to create an organization that can implement these decisions effectively and efficiently.

Build Assets and Capabilities

Building assets and capabilities to compete requires a view of how to create, buy, or partner for the resources a company needs to make its strategy a reality. Companies, for example, may invest in developing strong leaders, technical talent, and a strong brand, but partner for channels, sales-force, or access to key patents. Alternatively, companies may acquire other companies for their assets or capabilities if building or partnering is less efficient.

When a company builds assets and capabilities, this often means training and development, but it can also involve new technologies that aid this building process. It is important to appreciate that capabilities benefit—up to a natural limit—from a learning curve, which means that repetitions improve performance and the efficiency of that performance. This means that companies should plan for such improvements and invest accordingly.

Create Culture and Structure

Organizational culture is the shared values, beliefs, norms, behaviors, and artifacts that carry deeply held meanings and support strategies, key assets, and capabilities within a company.⁹ *Organizational structure* reflects how the company divides up the business into separate units to implement the strategy. Often this structure reflects a focus on similar offerings, country, or brand. For example, a tech company may be structured around software offerings, with one division devoted to cloud services and another devoted to it productivity software. An international car manufacturer may be divided by country or region and have, for example, a European and North American division each focused on tailoring offerings to their respective markets. In the consumer goods industry, a company may be organized by how it relies on master brands. A less common approach is to structure by customer and then align products and services in a matrix structure to serve these different customer segments. Unilever, for instance, has key account managers for major retailers like Walmart. They are incentivized to maximize the value of the total relationship over the long term rather than sell any particular product.

Both culture and structure can be key facilitators or barriers to effective strategy. For example, when DaVita, close to bankruptcy and looking to make a turnaround sought “to be the Provider, Partner, and Employer of Choice” in the integrated healthcare space, it adopted a mission and values-based culture that helped it achieve 13 consecutive years of improved clinical outcomes.¹⁰ Likewise, when Shell Oil sought to build more valuable customers, it was necessary to shift to a customer-based structure to service the specific needs of its best customers with a range of products.

Develop Leaders and Talent

Leadership is the focus of many books. Our focus is on identifying and developing leaders that will be best suited to implement the chosen strategy. A focus on low price leadership will require a different set of skills and style compared to competing on technology solutions. However, across all strategies, having a customer-focused leader is essential as is a focus on growth—however that is achieved in a given company.

When asked to identify which factor is most important for driving future organic growth, The CMO Survey-March 2023 found that 40 percent of marketing leaders reported “having the right talent,” followed by “having the right operating model” (19 percent), “having all stakeholders aligned” (15 percent), “having the right technology (14 percent), and “having the right data” (12 percent).

Investing to attract employees suited to a strategy and brand as well as tooling up employees to ensure they can enact the capabilities important to a strategy are key aspects of organizing to compete. As noted by Jim Collins, author of *Good to Great*: “Those who build great companies understand that the ultimate throttle on growth for any great company is not markets, or technology, or competition, or products. It is one thing above all others: the ability to get and keep enough of the right people.”

Align Metrics and Incentives

Metrics are the measures that companies use to evaluate their performance, while incentives are the rewards offered for performance relative to those metrics. Metrics should be selected with an eye toward evaluating the strategy against its objectives. In many companies, short-term metrics, such as ROI or quarterly sales and profits, understandably motivate managers, employees, and salespeople to perform well in the quarter. This can lead to pushing customers to make sales, which can reduce customer satisfaction. Such pressures can also encourage managers to trade off long-term objectives such as innovation to make the quarterly numbers. Finally, there are many high-profile cases in which such sales and earnings pressures have led to unethical behaviors, such as was the case for Barclays (manipulating interest rates), Wells Fargo (opening fake accounts), and Volkswagen (manipulating diesel emissions). A better approach is to focus on a mix of short- and long-term metrics.

SELECTING A MARKETING STRATEGY

The principal criteria useful for selecting a strategy can be grouped around five general questions:

Does the strategy fit the company’s purpose? If the strategy is not aligned with the company’s purpose, it should be abandoned or modified. An ill-fitted strategy dilutes purpose and confuses customers and employees. A strong fit between purpose and strategy, on the other hand,

adds credibility to the company's purpose claims and inspires employees to join and maintain their affiliation with it.

Is the ROI attractive? Creating a value proposition that is appealing to customers may not be worthwhile if the investment or operating cost is excessive. Starbucks opened in Japan in 1996 in the Ginza district and grew to over 400 units, many of which were in the highest rent areas. The result was a trendy brand, but one that was vulnerable to competitors who matched or exceeded Starbucks' product offerings and were not handicapped with such high overhead because they developed less costly sites.

Is there a long-term competitive advantage? Unless the business unit has or can develop a competitive advantage that is sustainable over time in the face of competitor reaction, an attractive long-term return will be unlikely. To achieve a long-term competitive advantage, a strategy should exploit organizational assets and capabilities and neutralize weaknesses.

Is the strategy feasible? The strategy should be within both the financial and human resources of the organization. It also should be internally consistent with other organizational characteristics, such as the company's structure, systems, people, and culture.

Does the strategy fit with the other strategies used in the company? Are the sources and uses of cash flow in balance? Is potential synergy captured by the strategy?

STRATEGIC MARKET MANAGEMENT

Strategic market management is a process designed to help management create and implement a marketing strategy, including adapting strategies and introducing new growth strategies. Figure 1.2 offers a flow diagram depicting the key steps in this process, which are now discussed in detail. Figure 1.3 organizes the book within this process.

External Analysis

External analysis turns the company's attention to the outside to consider the broader macro environment, customers, and competitors. This analysis begins by examining the broad macro-environment surrounding the company in Chapter 2, including demographic, culture, technology, political, and economic trends. Chapter 3 examines customers' unmet needs or jobs to be done and discusses options for segmenting the market. Chapter 4 discusses competitor analysis, including how to identify current and potential competitors as well as how to be prepared for digital disruption.

The frame of reference for an external analysis is typically a defined strategic business unit (SBU), but it can be useful to conduct external analyses for groups of SBUs, such as divisions, that have characteristics in common. For instance, a food products company might consider analyses of the healthy-living segment and food trends that could span operating units within the company.

An external analysis should be purposeful, focusing on key outputs: the identification of present and potential opportunities, threats, trends, strategic uncertainties, and strategic choices. There is a danger in being excessively descriptive. Because there is literally no limit to the scope of a descriptive study, the result can be a considerable expenditure of resources with little impact on strategy.

Internal Analysis

Internal analysis is discussed in Chapter 5's treatment of company strengths and weaknesses, in detail in the Appendix, and indirectly in the discussion of competitor evaluation criteria in Chapter 4, which involves a similar analysis. The goal, as noted in Figure 1.2, is to provide a detailed understanding of strategically important aspects of the business. This includes taking stock of the company's purpose and current strategies, financial performance, and growth as well

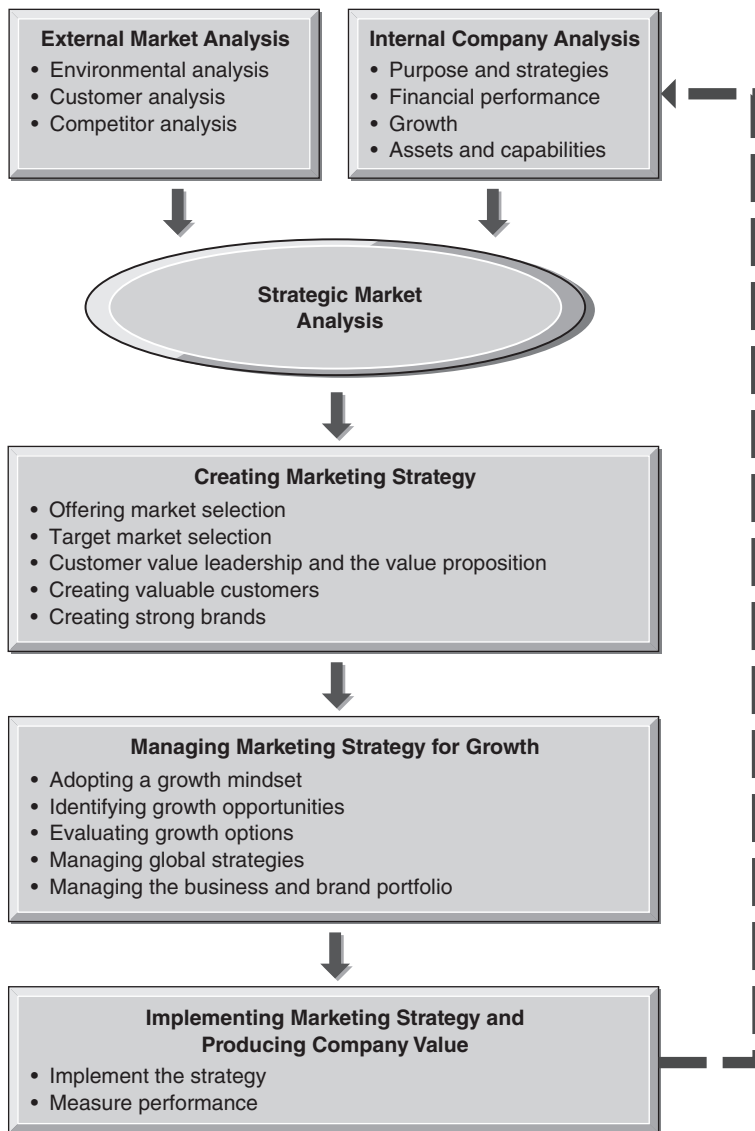


Figure 1.2 The Marketing Strategy Process

as evaluating its assets and capabilities, including customer relationships, brand, people, etc. This is an important step in strategy development because the identification and assessment of organizational strengths and weaknesses will guide strategic priorities, including the development of new strategies and the adaptation of existing ones.

Strategic Market Analysis

In this step, as discussed in detail in Chapter 5, the company integrates the internal and external analyses to arrive at a set of marketing strategy decisions. This process is fraught with strategic uncertainty and managers need to leverage tools to analyze what various aspects of the external analysis mean for their company and the industries in which they operate. Impact analysis and scenario analysis are tools companies can use to prioritize strategic uncertainties. After prioritizing strategic uncertainties, companies can use SWOT analysis and the VRIN framework to determine whether and how to respond to identified strategic opportunities and threats to ensure a long-term competitive advantage.

Creating Marketing Strategy

Having performed a range of strategic analysis steps, the company must select an offering market or broad category in which it will operate, determine its target market—the segment of people currently or potentially in the offering market that the company wants to develop long-term relationships with and convert into valuable customers for its business—and its value proposition—the value it wants to offer to this market. Chapter 6 describes the company’s choice of value propositions as a means to customer value leadership and long-term competitive advantage. Chapter 7 examines customer relationships with a focus on facilitating the decision journey, creating value through strong experiences, and defending relationships over the long-term. Chapter 8 shifts to a focus on creating valuable customers by examining purchase funnel management and customer lifetime value approaches. Chapter 9 shows how strong brands can be created and leveraged, while Chapter 10 discusses other digital, social, political, and organizational challenges to managing brands.

Managing Marketing Strategy for Growth

An important role for marketing strategy in many companies is to drive growth. Doing so requires embracing the growth imperative and overcoming many organizational and psychological barriers, as discussed in Chapter 11. It is important to embrace a full array of innovation opportunities, referred to as “full-spectrum innovation” in Chapter 12. These include changing offerings, customers, business models, and many other effective growth strategies. Chapter 13 offers a framework for evaluating growth strategy options that examines the nature of the opportunity, its long-term opportunities, and its fit with the company. Chapter 14 discusses the management of global strategies as a growth strategy, while Chapter 15 discusses the management of a company’s portfolio of businesses and brands. Careful prioritization within the portfolio and divestment are important to company growth.

Implementing Strategy and Producing Firm Value

Execution of a well-designed strategy is essential to reap the full potential of its profits and long-term advantage. Inefficiencies are often created because the company's culture, capabilities, structure, metrics and incentives, and human capital are not well designed or managed to bring the strategy to life. Marketing can play an important cross-functional role in aligning the organization.

Chapter 16 examines the organizational reality of implementing strategy. It considers the idea of customer-centricity—an approach that puts the customer at the forefront of all company decisions—as a guiding approach to ensuring that the company is able to compete effectively in the marketplace over time. Customer-centricity requires a focus on five organizational elements—culture, capabilities, structure, metrics and incentives, and human capital.

Finally, Chapter 17 considers more deeply how marketing creates value for company, including the effect of customer relationships and brands on both revenues and shareholder value.

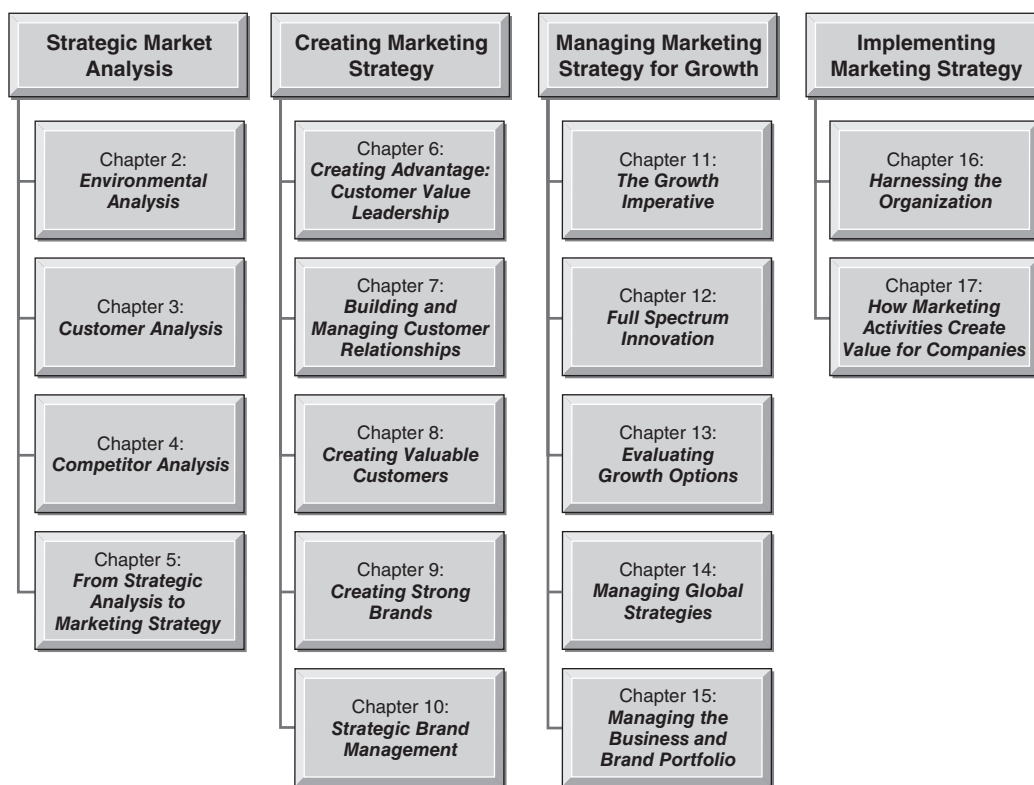


Figure 1.3 The Organization of This Book

THE STRATEGIC PLANNING CYCLE

Too often an annual planning exercise is perceived as strategy development when the output is not strategy, but an operating budget that specifies financial targets, hiring plans, and investment authorizations. Research at McKinsey involving a survey of over 700 executives suggests ways to make the strategy development process more effective.¹¹ In particular, a strategy process should involve the following activities.

Start with the issues. CEOs say that planning should focus on anticipating big challenges and spotting important trends. One CEO asks the business leaders in his company to imagine how a set of specific trends will affect their business. Another creates a list of three to six priorities for each business to form a basis for discussion.

Bring together the right people. In particular, it is not enough to have staff people involved, but also the leaders who will implement the strategy. Also, in order to foster synergies and strategies that span offering or country organizational silos, it is worthwhile to have relevant teams of businesses represented.

Adapt planning cycles to the businesses. It is unrealistic to say that all businesses need to have planning exercises each year. Some may need it every other year and others may need it several times a year. Also, trends, events, or issues should trigger a strategy review even if it is not in the annual cycle.

Implement a strategy performance system. Too many businesses fail to follow up on strategy development. As a result, it becomes a rather empty exercise. Major strategic initiatives should have measurable progress goals as well as end objectives. What will be the barrier to success? What needs to happen for the strategy to be on track?

MARKETING'S ROLE IN STRATEGY

Marketing's strategic role has grown over the years and it now has a seat at the top management table in most companies. Given the structure of strategic market management, the roles that marketing can and should play are now clearer.

One marketing role is to be the primary driver of the strategic analysis. The marketing group is in the best position to understand the customers, competitors, market and submarkets, and environmental forces and trends. By managing marketing research and market data, it controls much of the information needed in the external analysis. Marketing should also take the lead in the internal analysis with respect to selected assets (such as the brand portfolio and the distribution channel) and capabilities (such as new product introduction and customer relationship management).

A second role is to focus attention on relying on customer insight to create customer value. By placing a premium on meeting customer needs over other organizational imperatives, marketing helps ensure company relevance over time.

A third role is to play a key role in selecting the company's offering market, target market, and value proposition. Driven by strategic market analysis and customer insight, marketing has an important role in these decisions.

A fourth role is to drive the growth strategy for the company. Growth options are based on customer and market insights, so marketing should be a key contributor. In fact, a study by Booz Allen and Hamilton of some 2,000 executives found that a small but growing number of companies (9 percent) describe the CMO as the growth champion involved in all strategic levers relating to growth.¹²

Finally, marketing should play a leading role in building, managing, and defending strong customer and brand assets—called customer and brand equity. These assets deliver value back to the company and are critical to company strategy now and in the future.

Thus, marketing is a partner, usually a key partner, in the development and implementation of a business strategy. The conceptualization of a marketing strategy as having four key elements as noted in Figure 1.1 helps illuminate the nature of that relationship. The companies that are able to achieve success over time are those that realize that marketing should have a strong voice in business strategy.

KEY LEARNINGS

- Marketing strategy involves decisions and actions regarding why, where, and how to compete. When pondering “Why Compete,” organizations must consider their broader purpose and the value they offer to customers. When thinking of “Where to Compete,” organizations must consider their offering and target markets. Lastly, when considering “How to Compete,” organizations must consider the nature of the value they are providing customers.
- When selecting a marketing strategy, organizations should consider whether the strategy fits with the company’s purpose, has an attractive ROI, has potential for long-term competitive advantage, is feasible, and whether it fits with the other strategies of the company.
- An effective strategy process starts with the issues, brings together the right people, adapts planning cycles to the business, and implements a strategy performance system.
- The role of marketing has grown over the years to encompass driving strategic analyses, focusing attention on leveraging customer insight to create customer value, selecting the company’s offering market, target market, and value proposition, driving growth strategy for the company, and building, managing, and defending strong customer and brand assets.

SALESFORCE STRATEGY AND SOCIAL PURPOSE

After leaving Oracle in 1999, Marc Benioff founded Salesforce to introduce a B2B service software (software as a service) focused on customer relationship management (CRM). CRM software helps companies manage all elements of the customer experience, including the campaigns to create brand visibility and interest, the resulting customer leads, the buying experience, customer support, customer communities, and even customer service. The big idea at the time was to have Salesforce software reside on the Internet or “cloud.” Through outstanding technology and a feisty strategy, it challenged and surpassed Seibel Systems, the market leader at the time (now owned by Oracle).

Salesforce’s mission is to “build bridges between companies and customer.” It notes, “Companies of every size and industry are using Salesforce to transform their businesses, across sales, service, marketing, commerce, and more by connecting with customers in a whole new way. We harness technologies that can revolutionize companies, careers, and, hopefully, our world. . . . By making technology more accessible, we’re helping create a future with greater opportunity and equality for all.”

Benioff imprinted a broader purpose on the company at its founding and then built social programs directly into its for-profit business model and technology strategy. At the core is his signature 1-1-1 model in which the company gives 1 percent of employees’ time annually, 1 percent of its product annually, and 1 percent of its equity toward social efforts. The 1-1-1 model reflects Salesforce’s commitment to serious societal investment and it has broadened into Pledge 1%, which encourages other companies to do the same. It gives many social programs a home, rationale, and credibility. By 2022, over 15,000 companies representing over 100 countries had taken the pledge. Four initiatives have arisen from the Pledge 1% program.

Technology for Social Change. This program seeks to empower changemakers in nonprofits who are focused on societal problems, education, philanthropy, and the environment to build a better world by providing access to powerful Salesforce technology. The “Power of Us” program is the Salesforce vehicle that provides free or discounted Salesforce technology plus training and resources to nonprofit organizations. In 2021, Salesforce.org donated technology and pro bono support worth more than \$1.5 billion through the Power of Us program. Another Salesforce platform is the “Nonprofit Success Pack,” which supports databases across volunteers, donors, and clients, helps manage the interactions and relationship with all three groups, and provides industry reports and a dashboard that allows performance to be monitored. “Education Cloud” is directed toward nonprofit educational organizations, “Philanthropy Cloud” connects companies and their employees globally with the causes they are most passionate about, and “Sustainability Cloud” tracks environmental data to help companies move toward a carbon emissions reduction goal.

Workforce Development: Improving Access to Education. This effort not only addresses education inequality, but also society’s challenge of creating a future work force that is relevant to the digital age. In 2019, Benioff signed the White House Pledge, committing to provide training to 1 million Americans. Programs focus on computer literacy, college admission, and internships. “Trailblazers”—modeled after Salesforce’s own training program—is a free training program that teaches people to operate the Salesforce software ecosystem. The Salesforce “Pathfinder” formalized a set of these courses into a coherent curriculum geared to elevate the Trailhead experience.

Citizen Philanthropists. The idea here is to let each employee select a societal need that he or she believes would benefit from volunteering or a grant. In 2021, 72 percent of employees volunteered by providing services such as teaching a lesson to a third-grade class, counseling a college applicant, or helping a nonprofit organization fundraise. This volunteer work can also leverage

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Salesforce software to have more impact. Donating is another way to make employees feel and act as citizen philanthropists. Salesforce matches up to \$5,000 per employee per year to support causes that its employees care about.

Environmental Efforts. Salesforce uses a multipronged approach. One program, which mobilizes software assets via the “Salesforce Sustainability Cloud,” allows businesses to gain true visibility into their environmental data, including carbon emissions. Companies can even track direct and indirect emissions from their entire value chain. For support, there is the “Carbon Account Playbook” guide to understanding carbon accounting, the environmental footprint, and what action is needed.

Sources:

This case has been adapted from David A. Aaker, *The Future of Purpose Driven Branding*, New York: Morgan James Publishing, 2023, pp. 49–61.

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