



## ***Master of Business Administration***

### ***Module 3***

### ***Strategic Marketing***

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## ***Strategic Marketing***

Explain how the 'Ansoff matrix' can be applied to help develop strategic marketing options for an enterprise.

What other analytical tools and techniques can be employed to develop alternative marketing strategies?

Strategy is a magical keyword to the success of all businesses .It is a must that all businesses should move into a strategic direction forgetting and abandoning all traditional directions and processes . “A firm's strategic goals are based on both internal and external Knowledge, insight, and in-depth analysis. Without a strategic plan, resources are spent on events, activities, and functions that may not generate revenue ” (Steven Stralser, *MBA in A Day*.P:168). Further , Businesses should depend upon Strategic marketing which gives them the strategic dimension and puts them on the appropriate strategic direction to achieve the objectives .It is quite obvious that Strategic managers need frameworks , tools , and strategic marketing analytical techniques to enable them to look and assess the competitive positions of the Strategic Business Units (SBU) and see into growth and consequently assist them in making appropriate strategic decisions. Moreover, “The setting of objectives will usually produce a discrepancy between what is currently being achieved and what needs to be achieved. The difference between what ‘is’ and what ‘ought’ is known as the gap analysis. The gap analysis measures the difference between the consequences of current behaviour and what needs to be achieved. It is this gap that requires marketers to develop a strategy to reduce it.”(University, Leicester. *Strategic Marketing* .P5.9) It is necessary to search for frameworks, tools, and strategic analysis models to close the above-mentioned gap.

The **first section** of this assignment will focus on Ansoff Matrix definitions with its four strategic options and risk degrees.

The **second section** will be assigned to how the application of Ansoff matrix on the Saudi GSM market developed marketing strategies for the enterprise example of Saudi Telecom Company (STC) and the Competitor.

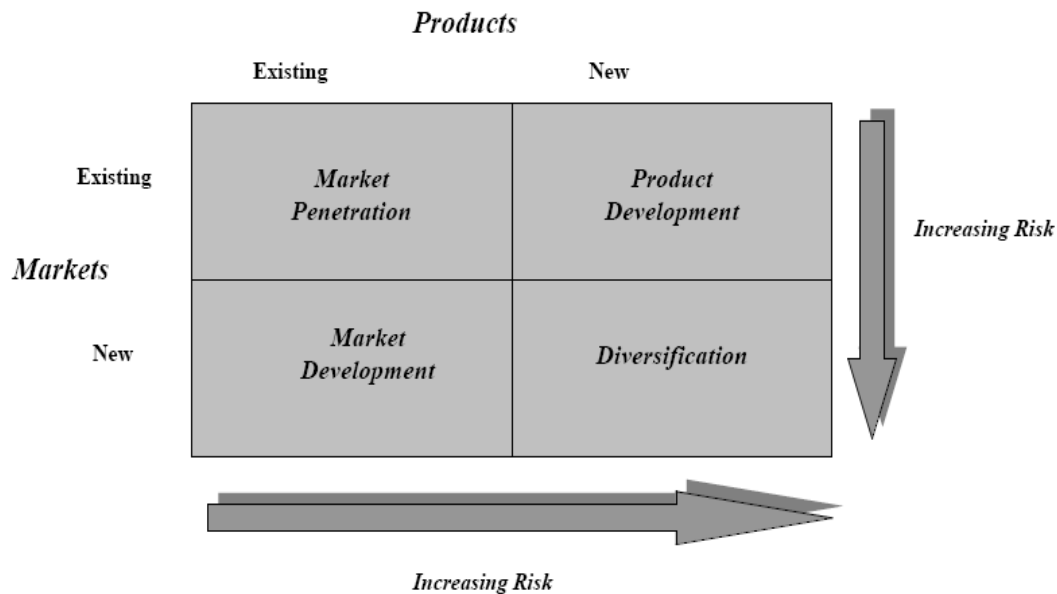
The **third section** will focus on the other analytical tools and techniques such as : SWOT analysis (Strengths, Weaknesses, Opportunities and Threats), Boston Consulting Group (BCG) Matrix, with the involvement of the management of the Product Life Cycle (PLC) and Marketing Mix (4Ps).

The **fourth section** will shed light on the concluding points on Ansoff Matrix, and other analytical tools and techniques in terms of covering and telling the strategy Story.

## **Section I: Ansoff matrix**

The Ansoff Matrix which is “product market expansion grid is a useful tool to analyze how the marketing objectives can be realized. The grid offers four strategic options, market penetration, product development, market development and diversification” (University, Leicester.*Strategic Marketing*.P5.10).

The product/market grid has two dimensions: products and markets. Over these two dimensions, four growth strategies can be formed with increasing risk degrees as shown below:



### **Market penetration:**

A market penetration strategy is used when an organization wants to achieve an increased share in the market. “A share gain can be based on tactical actions such as advertising, trade allowances, promotions or price reductions. The problem is that such share gains can be difficult to sustain. A preferred option is to generate a more permanent share gain by winning a sustainable competitive advantage with enhanced customer value or by matching a competitor’s sustainable competitive advantage.” (Proctor, Tony. *Strategic Marketing: An Introduction*. PP 239:240).

Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets. Market penetration seeks to achieve main objectives:

- Maintain or increase the market share of current products
- Secure dominance of growth markets
- Restructure a mature market by driving out competitors

### **Market development:**

**A market development** refers to a growth strategy where the business seeks to sell its existing products into new markets. “A logical avenue of growth is to develop new markets by duplicating the business operation, perhaps with minor adaptive changes. In the case of market expansion, the same expertise and technology and sometimes even the same plant and operations facility can be used. There is thus potential synergy and resulting reductions in investment and operating costs. Of course, market development is based upon the premise that the business is operating successfully” (Proctor, Tony. *Strategic Marketing: An Introduction*. PP 240:241).

### **Product development:**

**A product development** refers to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets. “The introduction of new products can have a positive impact on sales growth. Initially, profitability may not increase since there may be substantial research, development and launching costs associated with the venture which have to be recouped” (Tony, Proctor. *Strategic Marketing: An Introduction*. P241).

### **Diversification:**

Diversification refers to the growth strategy where a business markets new products in new markets. This is an inherently more risky strategy because the business is moving into markets in which it has little or no experience.

## **Section II: Application of Ansoff on the Saudi GSM market**

A Clear examination of the Saudi GSM Mobile Operators Market shows that the Two Operators ( STC and Mobily ) have used the Ansoff Strategic choices to achieve the Objectives. Saudi Telecom Company (STC) Al Jawal started with the first Option of Ansoff Penetrating the Market as it involves a very low degree of risk as STC has a very good knowledge and experience of the Saudi Market and its product . STC started as penetrating the Saudi Market as market nicher in the sense that it has been highly selective in the customers as it has selected a small customer base with a very high Price : ( exclusively STC started by serving Saudi VIPs and Saudi Business sector and charged a premium . the primary emphasis of STC was focused on the very important role of mobiles to Business sector . As STC was the only GSM co operating in the Saudi Market ( Absence of Competitors ) , STC did discover at this stage that the Saudi GSM market full potential has not been realized , so it decided to go deeper with the option of Market penetration . Further , it not only convinced its current customers of VIPS (market niche ) to keep on using the Jawal service , but also encouraged all Saudi market customers who have not yet used the service to start using the service STC tried to make use of the Lowest risk of the Ansoff Strategic choices ; namely the market penetration in order to achieve its Objectives of Excellent service and to increase Growth and Profit . Being a Market Nicher does not help much in achieving the Objectives , and as the full potential of the market not realized , So STC tried to go deeper into the market forgetting about Market Niche and tried to increase the customer base , by offering the Sawa prepaid card to encourage all domestic customers ( Saudi , non Saudi ) - who have not used the service before to join .This deeper move in the market penetration required the STC to make use of the marketing mix (4ps ) as it went with Price discounts and conducted Promotional campaigns . STC offered Sawa prepaid SIM cards which bloody cheap (200 Saudi Riyals ) compared to price of (market niche at the introduction stage ) which was ( 10000 Saudi Riyals ) . In a matter of two Years only , STC customer base increased from below 500000 customers to Over 10 millions . As the Market reaches saturation , and as another GSM operator entered the Saudi Market ( Etisalat Mobily , a UAE telecom ) . Two obstacles : Now there is a competitor and Saudi market are about to reach saturation . At this stage Strategic tactics are to be

changed . Penetrating the market more deep is no longer a strong strategic choice for STC. STC at this stage shifted to other strategic : Product Development , As Etisalat ( Mobily ) has a more improved services , as Etisalat has a previous Experience in the UAE Market with 2.5 G and 3G Mobile Services . So STC invested into the option of product development as almost all its Customers shifted to use the new mobile handsets that support the new 3G technologies , Such as WAP , MMS internet facilities .....etc .moreover , STC is Convincing its customer to shift to ALJAWAL 3.5G services (( FREE Replacement of Old SIM card with a 3.5G SIM card )) to be able to use all upgraded services (Video Call - ALJAWAL TV live feed via the 3.5G network. – internet browsing High speed internet access and browsing at speeds up to 385 Kb/s. STC main concern at this stage was its Product life Cycle ( PLC ) the Life cycle was about to be shortened because the Same Product being offered , so the same Product is no longer growing ; therefore STC immediately changed Strategy and tactics and start investing into the new waves , trends and technologies in the GSM Arena . by this STC is not only trying to change to the Second Choice of Product development , but also seeing into the Customer taste change . As Most of the Saudis are into Sports especially football , The Two Operators tried hard to sponsor all sport activities , STC Sponsored the Saudi Football league and other contests , therefore all Players are to wear all their shirts with the Logo of STC Al Jawal on it , in a retaliatory action , Mobily sponsored the Saudi National team in the World Cup and had an inclusive Sponsor rights to advertize in all Saudi Stadiums and arenas Moreover , The Potential of Saudi GSM operators is having some aggressive Price wars , promotion and sponsorship . As Mobily offered a dirt-cheap Prepaid Subscription card for only 34 Saudi riyals which is less than 10 USD . and STC is forced to follow with the same lower prices . As a result of that , Profit has been reduced and diluted . STC shifted to the second option of Product development , not only it is must to modify and infect its product with the new technology , but also it was a strategic option for them for targeting the same market with new products as to make use of the (Place ) as they have strong distributions channels all over the Kingdom .

As UAE Etisalat ( Mobily ) finds that the United Arab Emirates market itself offer very little opportunity for further development in terms of Customer Base and the future

looks offering little or no hope in terms of profitability. At this Stage , UAE Etisalat have decided to adopt the highest risk option of Ansoff which is Diversification New Product ( Mobily ) into a new related GSM Area ( Saudi Arabia Market ) .

STC changes into another Strategic option ( Product Development ) , this Move Shows that no Ansoff strategy option can always be relied upon to generate continuing improvements in growth . All enterprises must therefore, at some point be prepared to switch strategies where appropriate – to product development as the Example of STC to market development or even to the highest degree of risk diversification as the Example of Mobily ( diversified into new markets with new ranges and services ) .

### **Section III: The other analytical tools and techniques**

There are some other analytical tools and techniques which can be employed to develop alternative marketing strategies such as: SWOT analysis (Strengths, Weaknesses, Opportunities and Threats), Confrontation Matrix, Boston Consulting Group ( BCG ) Matrix, with the involvement of the management of the Product Life Cycle (PLC) and Marketing Mix (4Ps).

#### **SWOT**

A SWOT analysis is a tool, used in management and strategy formulation. It can help to identify the **Strengths, Weaknesses, Opportunities and Threats** of a particular company.

Strengths and weaknesses are internal factors that create value or destroy value.

Opportunities and threats are external factors that create value or destroy value. “The SWOT allows us to assess our capability (strengths and weaknesses) as a match for the market needs (opportunities) in the light of the competitive environment (threats).

Precision in completing the SWOT will not only highlight imbalances in the match, but also help us communicate these to all those in our business concerned with securing that match” (Peter, Cheverton. *Key Marketing Skills : Strategies, Tools & Techniques for Marketing Success*. P 85).

***“Typical examples of factors in a SWOT Analysis diagram:***

<p><b><i>Strengths</i></b></p> <ul style="list-style-type: none"> <li>Specialist marketing expertise</li> <li>Exclusive access to natural resources</li> <li>Patents</li> <li>New, innovative product or service</li> <li>Location of your business</li> <li>Cost advantage through proprietary know-how</li> <li>Quality processes and procedures</li> <li>Strong brand or reputation</li> </ul>	<p><b><i>Weaknesses</i></b></p> <ul style="list-style-type: none"> <li>Lack of marketing expertise</li> <li>Undifferentiated products and service (i.e. in relation to your competitors)</li> <li>Location of your company</li> <li>Competitors have superior access to distribution channels</li> <li>Poor quality of goods or services</li> <li>Damaged reputation</li> </ul>
<p><b><i>Opportunities</i></b></p> <ul style="list-style-type: none"> <li>Developing market (China, the Internet)</li> <li>Mergers, joint ventures or strategic alliances</li> <li>Moving into new attractive market segments</li> <li>A new international market</li> <li>Loosening of regulations</li> <li>Removal of international trade barriers</li> <li>A market that is led by a weak competitor</li> </ul>	<p><b><i>Threats</i></b></p> <ul style="list-style-type: none"> <li>A new competitor in your own home market</li> <li>Price war</li> <li>Competitor has a new, innovative substitute product or service</li> <li>New regulations</li> <li>Increased trade barriers</li> <li>A potential new taxation on your product or service</li> </ul>

Any organization must try to create a fit with its external environment. The SWOT diagram is a very good tool for analyzing the (internal) strengths and weaknesses of a corporation and the (external) opportunities and threats. However, this analysis is just the first step. To really create the fit with the external environment is often the most difficult work.

***CONFRONTATION MATRIX***

A tool to combine the internal factors with the external factors is the Confrontation Matrix.

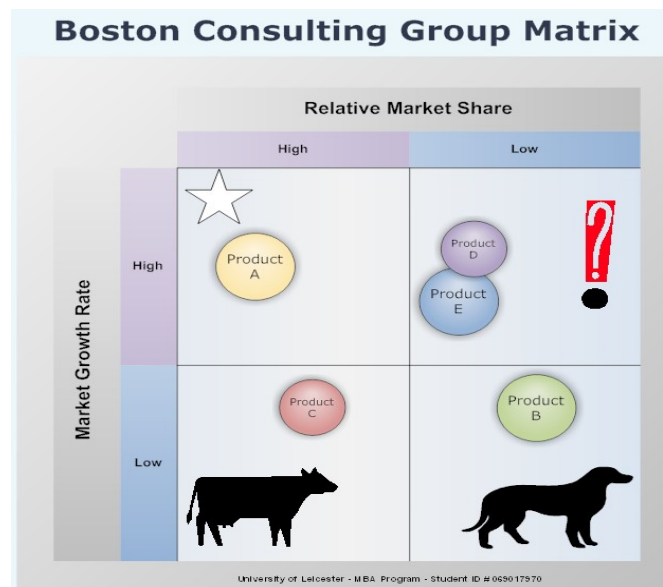
	<b>Threats</b>	<b>Opportunities</b>
<b>Strengths</b>	<b>Adjust</b> restore strengths	<b>Offensive</b> make the most of these
<b>Weaknesses</b>	<b>Survive</b> turn around	<b>Defensive</b> watch competition closely

Often in reality the two columns of the SWOT diagram are pointing in opposite directions. Strategists must still deal with the paradox of creating alignment. This can be done via Outside-in strategy formulation (market-driven strategy) or Inside-out strategy formulation(resource-driven)”(12manage.(online),*SWOTAnalysis*.

[http://www.12manage.com/methods\\_swot\\_analysis.html](http://www.12manage.com/methods_swot_analysis.html)[Accessed 25/4/2007]).

## Boston Consulting Group (BCG) Matrix

“The BCG Matrix method is the most well-known portfolio management tool. It is based on product life cycle theory. The BCG Matrix can be used to determine what priorities should be given in the product portfolio of a business unit. To ensure long-term value creation, a company should have a portfolio of products that contains both high-growth products in need of cash inputs and low-growth products that generate a lot of cash. The Boston Consulting Group Matrix has 2 dimensions: market share and market growth. The basic idea behind it is: if a product has a bigger market share, or if the product's market grows faster, it is better for the company.



**Stars (high growth, high market share)**

Stars are using large amounts of cash. Stars are leaders in the business. Therefore they should also generate large amounts of cash. Stars are frequently roughly in balance on net cash flow. However if needed any attempt should be made to hold your market share in Stars, because the rewards will be Cash Cows if market share is kept.

**Cash Cows (low growth, high market share)**

Profits and cash generation should be high. Because of the low growth, investments which are needed should be low. Cash Cows are often the stars of yesterday and they are the foundation of a company.

**Dogs (low growth, low market share)**

Avoid and minimize the number of Dogs in a company. Watch out for expensive 'rescue plans'. Dogs must deliver cash, otherwise they must be liquidated.

**Question Marks (high growth, low market share)**

Question Marks have the worst cash characteristics of all, because they have high cash demands and generate low returns, because of their low market share.

If the market share remains unchanged, Question Marks will simply absorb great amounts of cash. Either invest heavily, or sell off, or invest nothing and generate any cash that you can. Increase market share or deliver cash.”(12manage. (Online), *BCG Matrix*. [www.12manage.com/methods\\_bcgmatrix.html](http://www.12manage.com/methods_bcgmatrix.html)[Accessed 25/4/2007])).

**Product Life Cycle (PLC)**

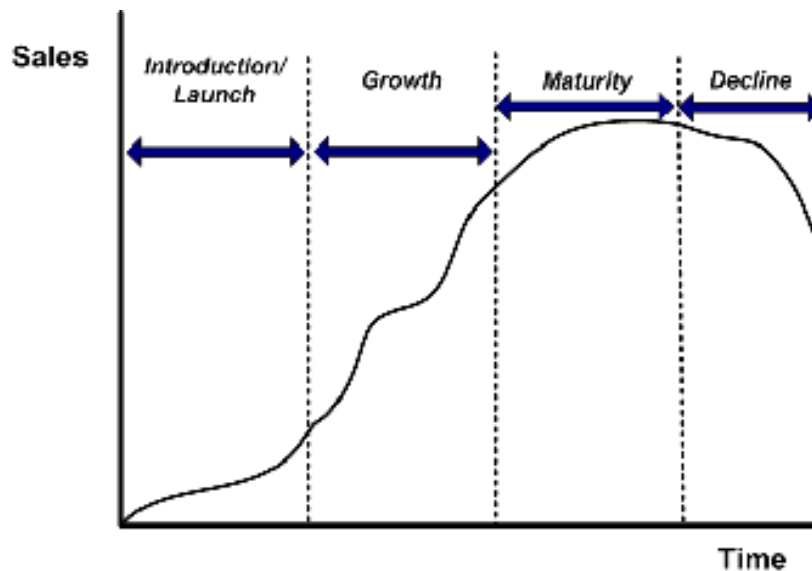
“The Product Life Cycle model can help to analyze maturity stages of products and industries. Organizations increasingly reassess product life cycle costs and revenues, because the time available to sell a product and recover the investment shrinks.

It is clear that the Product Life Cycle concept has significant impact upon business strategy and corporate performance. The Product Life Cycle method identifies the distinct stages affecting sales of a product. From the product's inception until its retirement. The stages in the Product Life Cycle Introduction stage. The product is introduced in the market through a focused and intense marketing effort designed to establish a clear identity and promote maximum awareness. Many trial or impulse purchases will occur at this stage.

Growth stage. Can be recognized by increasing sales and the emergence of competitors. At the vendor's side, the Growth stage is also characterized by sustained marketing activities. Some customers make repeat purchases.

Maturity stage. This phase can be recognized when competitors beginning to leave the market. Also, sales velocity is dramatically reduced, and sales volume reaches a steady level. At this point in time, typically loyal customers purchase the product.

Decline stage. The lingering effects of competition, unfavorable economic conditions, new trends, etc, often explain the decline in sales as shown below:” (12 Manage.(online), Product Life Cycle.[www.12manage.com/methods\\_product\\_life\\_cycle.html](http://www.12manage.com/methods_product_life_cycle.html)[Accessed 25/4/2007])



*The Product Life Cycle*

All of the above-mentioned strategies and tools “ involve careful consideration of the management of the marketing mix (4Ps). The marketer is required to analyze what amendments to the product, price, promotion and place are required to meet the objectives. Examples of such strategies are:

***Product***

- \_ developing new products, repositioning or relaunching existing ones and scrapping old ones,
- \_ adding new features and benefits,
- \_ balancing product portfolios,
- \_ changing the design or packaging

***Price***

- \_ setting the price to skim or penetrate,
- \_ pricing for different market segments,
- \_ deciding how to meet competitive pricing

***Promotion***

- \_ specifying the advertising platform and media,
- \_ deciding the public relations brief,
- \_ organizing the sales force to cover new products and services or markets.

***Place***

- \_ choosing the channels,
- \_ deciding levels of customer service” (University, Leicester. Strategic Marketing .P5.11).

### **Section IV: conclusion**

In conclusion, Ansoff matrix is a helpful grid to develop strategic marketing options and to decide upon growth Strategies for an enterprise. As one Strategic option is not enough and Companies should change into another strategic option in accordance with the changes in the business environment and it's Product Life Cycle (PLC). However, it is clear that Ansoff with its four options can tell only one part of the Strategy story, therefore it is necessary to look at the other analytical tools and techniques like BCG and SWOT to cover all the parts of the Strategy Story. All the Matrix and tools mentioned have some limitations. As per the STC example of applying Ansoff Matrix in section II , I have come to this conclusion that if STC applied other analytical tools and techniques together with Ansoff Matrix ,such as SWOT , STC , in my opinion ,in doing that could get new opportunities such as Diversification as the Example of Mobily ( diversified into new markets with new ranges and services ).

Finally, I would like to make it Crystal clear that I have been limited to Word Limit: maximum 3,500 words for the **whole assignment**, also the lack of formal resources from STC, as STC considers all that as top confidential and one is allowed to get access to such information and documents .All that contributed that this study has come out in this way.

**References:**

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