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## The quantitative strategic planning matrix: a new marketing tool

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### ABSTRACT

Originally introduced in a 1986 *Long Range Planning* article, the Quantitative Strategic Planning Matrix (QSPM) has become widely used in strategic management but is only rarely used in marketing strategy. This paper reveals how and why the QSPM should be commonly used in marketing strategy to assess the relativeness attractiveness of alternative strategies being considered. An example QSPM is developed in this paper for a firm considering two alternative marketing strategies: (1) Increase Advertising Expenditures by 50% vs. (2) Lower Menu Prices 10%. The QSPM process is exemplified and limitations are discussed herein. The primary contribution of this paper was to reveal how and why the QSPM can be useful, both theoretically and practically, in a devising an effective marketing strategy.

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## Introduction

Marketers commonly must decide when, where, and how to engage existing and potential customers through various advertising media, pricing tactics, packaging scenarios, sales representatives, customer service, promotion, and publicity options (da Cruz, Ferreira, & Azevedo, 2012; Siebers, Zhang, & Li, 2013; Untiedt, Nippa, & Pidun, 2012). Before doing so, marketers devise and consider possible strategies to help achieve marketing and strategic management objectives. To formulate possible marketing mix strategies, a variety of tools are commonly used by marketers, such as perceptual mapping, portfolio analysis, brainstorming, product/market expansion grids, and the Boston Consulting Group matrix (Dibb, 1995; Krzyżanowska & Tkaczyk, 2015; Laskaris & Regan, 2013; McDonald, 1996; Moutinho & Brownlie, 1995; Yang & Lynn, 2014). In addition, marketers sometimes use Strength–Weakness–Opportunity–Threat (SWOT) analysis, which is more widely used in strategic planning (Glaister & Falshaw, 1999; Panagiotou, 2003; Wehrich, 1982).

Although the tools mentioned above work well in assisting marketing managers as they generate possible strategies to execute, these tools do not provide guidance regarding the relative attractiveness of various alternative marketing strategies. Thousands and even millions of dollars could be saved if marketers could obtain reliable assessments of the relative

attractiveness of various strategies before monies begin flowing (Dibb, 1995; Tilles, 1966; Ulaga & Chacour, 2001). Typically, marketers have a budget that must be adhered to, so an effective tool for selecting among strategies to fund could be vital for organizational success (Tilles, 1966). In this paper, we introduce a new marketing decision-making tool (Enright, 2001) that can be used to effectively determine the relative attractiveness of various alternative marketing strategies being considered.

This paper introduces the Quantitative Strategic Planning Matrix (QSPM), a tool that can be used to determine the relative attractiveness of different strategies being considered for potential implementation (David, 1986). Initially developed for strategic planning, the QSPM is designed to assess and determine the extent that alternative strategies enable the firm to effectively take advantage of external opportunities, mitigate external threats, capitalize on internal strengths, and improve upon internal weaknesses. QSPM analysis includes determining the relative importance of key external opportunities and threats and internal strengths and weaknesses, and using that information (weights) to determine the relative attractiveness of alternative strategies. Although widely used today in strategic management (David & David, 2015), no articles or instances could be found where the QSPM has been used in marketing (Lamb, Hair, & McDaniel, 2014). The SWOT too should be used more in marketing strategy, providing input into a QSPM analysis.

This paper is organized as follows. We first provide a review of SWOT analysis in a marketing context, which serves as the basis for development of the QSPM. Next, we describe the QSPM in detail, outlining the steps involved in creating and using the matrix. A thorough business example of the QSPM is then provided, illustrating the steps in action and resulting relative attractiveness ratings of each strategy under consideration. Finally, a discussion of the uses and limitations of the QSPM is offered, followed by a general discussion.

## SWOT analysis

### Steps to create a SWOT

SWOT analysis is a widely used in both strategic planning and marketing strategy (Helms & Nixon, 2010; Panagiotou, 2003). As illustrated in Table 1, a SWOT Matrix includes a listing of a firm's key internal and external factors, and listing of resultant strategies to be considered. As depicted in Table 1, the basic, nine-cell SWOT schematic diagram reveals the placement of key dimensions.

A SWOT Matrix is composed of nine cells (see Table 1). Specifically, there are four key factor cells, four strategy cells, and one cell that is always left blank (the upper-left cell). The four strategy cells, labeled *Strength-Opportunity (SO)*, *WO*, *ST*, and *WT*, are developed after completing four key factor cells, labeled *S*, *W*, *O*, and *T*. There are eight steps involved in constructing a SWOT Matrix:

**Table 1.** The basic format of a SWOT matrix.

Leave this cell void	Internal strengths (S)	Internal weaknesses (W)
	List factors 1 through 10	List factors I through 10
External opportunities (O)	SO strategies	WO strategies
List factors 1 through 10	List strategies 1 through 5	List strategies 1 through 5
External threats (T)	ST strategies	WT strategies
List factors 1 through 10	List strategies 1 through 10	List strategies 1 through 10

- (1) List the firm's key external opportunities (O).
- (2) List the firm's key external threats (T).
- (3) List the firm's key internal strengths (S).
- (4) List the firm's key internal weaknesses (W).
- (5) Match internal strengths with external opportunities, and record the resultant SO strategies in the appropriate cell.
- (6) Match internal weaknesses with external opportunities, and record the resultant WO strategies.
- (7) Match internal strengths with external threats, and record the resultant ST strategies.
- (8) Match internal weaknesses with external threats, and record the resultant WT strategies.

### **The SWOT strategies**

As indicated in Table 1, SO strategies use a firm's internal strengths to take advantage of external opportunities. All marketers would like to be in a position to use internal strengths to take advantage of external trends and events (Lane & Piercy, 2009). Organizations generally will pursue WO, ST, or WT strategies to get into a situation in which they can apply SO strategies. When a firm has major weaknesses, it will strive to overcome them and make them strengths. When an organization faces major threats, it will seek to avoid them to concentrate on opportunities.

WO strategies aim at improving internal weaknesses by taking advantage of external opportunities. Sometimes key external opportunities exist, but a firm may have internal weaknesses that prevent it from exploiting those opportunities. For example, there may be a high demand for fast customer service (an opportunity), but a certain retailer may Apple Pay checkout (a weakness). One possible WO strategy would be to acquire this technology and train customer service employees.

ST strategies use a firm's strengths to avoid or reduce the impact of external threats. This does not mean that a strong organization should always meet threats in the external environment head-on. Also, by matching internal with external factors, WT strategies are defensive tactics directed at reducing internal weakness and avoiding external threats (Wheelan & Hunger, 1998). An organization faced with numerous external threats and internal weaknesses may indeed be in a precarious position. For example, if a rival firm has one sales person per 50 customers (a threat) and your firm has one sales person for 200 customers (a weakness), a WT strategy could be to hire four more sales persons per retail store.

### **A SWOT example**

An actual SWOT Matrix is provided in Table 2. Importantly, both the internal and external factors and the SO, ST, WO, and WT strategies are stated in quantitative terms to the extent possible. For example, regarding the second SO number-2 and ST number-1 strategies, if the analyst just said, 'Add new repair and service persons,' a reader might think that 20 new repair and service persons are needed, when actually only two are needed. Thus, when developing a SWOT Matrix, it is important to always *be specific* to the extent possible in stating both factors and strategies.

**Table 2.** A SWOT matrix for a retail computer store.

	Strengths	Weaknesses
	(1) Inventory turnover up 5.8–6.7 (2) Average customer purchase up \$97–\$128 (3) Employee morale is excellent (4) In-store promotions = 20% increase in sales (5) Newspaper advertising expenditures down 10% (6) Revenues from repair and service in store up 16% (7) In-store technical support persons have MIS degrees (8) Store's debt-to-total-assets ratio down 34%	(1) Software revenues in store down 12% (2) Location of store hurt by new Hwy 34 (3) Carpet and paint in store in disrepair (4) Bathroom in store needs refurbishing (5) Total store revenues down 8% (6) Store has no website (7) Supplier on-time-delivery up to 2.4 days (8) Customer checkout process too slow (9) Revenues per employee up 19%
Opportunities	SO strategies	WO strategies
(1) Population of city growing 10% (2) Rival computer store opening one mile away (3) Vehicle traffic passing store up 12% (4) Vendors average six new products a year (5) Senior citizen use of computers up 8% (6) Small business growth in area up 10% (7) Desire for websites up 18% by realtors (8) Desire for websites up 12% by small firms	(1) Add four new in-store promotions monthly (S4, O3) (2) Add two new repair and service persons (S6, O5) (3) Send flyer to all seniors over age 55 (S5, O5)	(1) Purchase land to build new store (W2, O2) (2) Install new carpet, paint, and bath (W3, W4, O1) (3) Up website services by 50% (W6, O7, O8) (4) Launch mailout to all realtors in city (W5, O7)
Threats	ST strategies	WT strategies
(1) Best buy opening new store in 1 year nearby (2) Local university offers computer repair (3) New bypass Hwy 34 in 1 year will divert traffic (4) New mall being built nearby (5) Gas prices up 14% (6) Vendors raising prices 8%	(1) Hire two more repair persons and market these new services (S6, S7, T1) (2) Purchase land to build new store (S8, T3) (3) Raise out-of-store service calls from \$60 to \$80 (S6, T5)	(1) Hire two new cashiers (W8, T1, T4) (2) Install new carpet, paint, and bath (W3, W4, T1)

It is also important to include the 'S1, O2' type notation after each strategy in a SWOT Matrix. This notation reveals the rationale for each alternative strategy. Strategies do not rise randomly. As shown in Table 2, this notation reveals the internal and external factors that were matched to formulate desirable strategies. For example, the focal retail computer store business may need to 'purchase land to build a new store' because a new Highway 34 will make its location less desirable. The notation (W2, O2) and (S8, T3) in Table 2 exemplifies this matching process.

The purpose of a SWOT analysis is to (1) identify key internal and external factors, and (2) generate feasible alternative strategies (Baker, 2000; Helms & Nixon, 2010). Thus, a SWOT is not useful for (1) determining the relative importance of each internal and external factor for being successful in a given industry, nor is the SWOT useful for or capable of determining the relative attractiveness of the alternative strategies

**Table 3.** A generic example QSPM.

	Alternative strategies						
	Weight	Strategy 1		Strategy 2		Strategy 3	
		AS	TAS	AS	TAS	AS	TAS
<i>Key external factors</i>							
Economy	0.25	1	.25	3	.75	2	.50
Political/legal/governmental	0.30	–	–	–	–	–	–
Social/cultural/demographic/environmental	0.10	1	.10	2	.20	3	.30
Technological	0.20	–	–	–	–	–	–
Competitive	0.15	2	.30	1	.15	3	.45
<i>External total</i>	1.00						
<i>Key internal factors</i>							
Management	0.15	3	.45	2	.30	1	.15
Marketing	0.25	–	–	–	–	–	–
Finance/accounting	0.20	–	–	–	–	–	–
Production/operations	0.15	3	.45	1	.15	2	.30
Research and development	0.20	2	.40	1	.20	3	.60
Management information systems	0.05	1	.05	2	.10	3	.15
<i>Internal total</i>	1.00						
Sum total attractiveness scores	2.00	13	2.00	12	1.85	17	2.45

generated (Haberberg, 2000; Panagiotou, 2003; Pickton & Wright, 1998). The QSPM fulfills both of these needs and thus can be vital for efficient and effective marketing strategy decision-making.

To summarize, the SWOT analysis is widely used in strategic planning, but the analysis has two important limitations which are overcome when followed up by a QSPM analysis. A key limitation of SWOT analysis is that the potential relative attractiveness of alternative strategies is not provided or indicated (Kay, 1999; Pickton & Wright, 1998; Walker, Mullins, & Larreche, 2006). Another shortcoming of SWOT is the lack of numbers or quantitative analysis (Armstrong & Kotler, 2013; Kangas, Kurttila, Kajanus, & Kangas, 2003; Warren, 2002). As discussed next, the QSPM addresses both of these limitations.

## The quantitative strategic planning matrix (QSPM)

### Underlying principles

The QSPM is designed to determine the relative attractiveness of feasible alternative strategies by examining underlying key external and internal factors that characterize or impact the firm. Table 3 provides a generic example of a QSPM in order to simply illustrate the basic format of a QSPM. As shown in Table 3, a QSPM consists of feasible alternative strategies typically derived from a SWOT analysis. The strategies are arrayed across the top row, with key external and internal factors arrayed down the left column. Any number of strategies can be examined simultaneously in a QSPM.

Conceptually, a QSPM determines the relative attractiveness of various strategies based on the extent to which the alternative strategies will enable the firm to capitalize upon strengths and opportunities, improve upon weaknesses, and avoid or mitigate external threats (Abratt, 1993; Dibb, 1995). The relative attractiveness of each strategy is computed by determining the cumulative extent that the respective strategy takes advantage of the key external and internal factors.

## **Steps to create a QSPM**

Constructing a QSPM involves a series of six steps. Each step is described in detail next.

### **Step 1: List key external and internal factors**

Step 1 in creating a QSPM is to generate a list of the key external opportunity/threat and internal strength/weakness factors determined to be most important for the firm to consider in selecting among feasible alternative strategies. A minimum of 10 (and maximum of 20) key external and internal factors should be included, thus potentially having 40 key factors in total arrayed along the left column. The external and internal factors should be specific, actionable, divisional, and quantitative to the extent possible, (e.g. healthy eating among individuals ages 16–36 is growing 12% annually in the USA), rather than being stated in vague, general terms (e.g. More people are eating healthy). Vagueness is not good in strategic decision-making, and a number, percentage, ratio, or comparison should be included with each external and internal factor whenever possible.

### **Step 2: Assign importance weights to external and internal factors**

Step 2 in creating a QSPM requires that weights be assigned to indicate the perceived relative importance of each external and internal factor for being successful in the given industry. The weights are thus industry based, rather than company based. Specifically, a weight is assigned to each factor, depending on how important that factor is for being successful in competing in a particular industry. Importantly, the assigned weights must sum to 1.0 for the external factors, and also sum to 1.0 for the internal factors. Thus, if there are 20 external factors, for example, the average weight assigned for the external factors is 0.05. Of note, small differences in the weights (i.e. in the relative importance of various factors) can represent important strategic information. For example, a weight of 0.30 is numerically 50% more important than a weight of 0.20. Determining the relative importance of various external and internal factors, (i.e. assigning weights), is important in ultimately deciding between feasible alternative strategies (Dibb, 1995). Weights are determined based on company and industry research and marketer deliberations. As indicated in Table 3, the assigned weights of the external and internal factors should be placed in a column adjacent to the key external and internal factors.

### **Step 3: List potential strategies**

Step 3, as illustrated in Table 3, requires that marketers identify alternative potential strategies to consider and array them across the top row in the QSPM, as Strategy 1, Strategy 2, etc. As discussed previously, the various alternative strategies are typically derived from a SWOT analysis. Strategies should be stated in specific terms, such as 'Add 30 sales representatives in California,' rather than stated in vague terms, such as 'Expand to California.' Since firms rarely have sufficient resources to implement all strategies that may benefit the company, tough decisions must be made. Vagueness inhibits decision-making whereas quantification facilitates the decision process.

### **Step 4: Assign attractiveness score to each strategy**

Step 4 in developing a QSPM is to assign an attractiveness score (AS) to each strategy. For example, as illustrated in Table 3, the AS values indicate the relative attractiveness of the

three strategies, given the respective external or internal factor, where 3 = most attractive, 2 = somewhat attractive, 1 = least attractive. The scale for AS can range from 1 to 2 up to 1 to 10 depending on marketers' preferences. If 10 strategies are being examined, usually a 1–10 scale is used. The AS range, i.e. 1–3 up to 1–10, is determined by the number of strategies being examined. The ASs should be placed in a column under each respective strategy. In developing a QSPM, and particularly when assigning AS values, it is important to work row-by-row and never assign duplicate AS values in a row. Note in Table 3, for factor 1 (Economy), Strategy 2 is the most attractive since its AS value is 3.

It is important to note that if a key external or internal factor impacts one strategy, it also impacts the final decision or choice being made, so all strategies must be rated for that respective external or internal factor. Conversely, dashes should be used to indicate situations in which the key factor does not relate to any of the strategies under consideration. For example, as shown in Table 3, some rows simply have dashes to indicate the factor on the left is not impacting the choice being made among the three strategies being examined. (If a different set of strategies were being considered, the factor along the left column may indeed be important, so do not get rid of a key external or internal factor simply because it does not impact a particular set of strategies being examined).

#### ***Step 5: Calculate total ASs***

Step 5 in developing and using a QSPM requires calculation of total attractiveness scores (TAS), which are determined by multiplying the weight (i.e. the relative importance of each factor) by the AS (i.e. the attractiveness of each strategy), to yield an improved (over the AS alone) measure of the relative attractiveness of each respective strategy vs. the other strategies being examined. As illustrated in Table 3, the TAS should be placed in a column under each strategy, next to each respective strategy's AS.

#### ***Step 6: Sum the attractiveness and TAS***

Finally, step 6 in developing a QSPM is to sum the AS and TAS columns for each respective strategy. The higher the sum total attractiveness scores (STASs) for a particular strategy, the more attractive that strategy is, compared to the other alternative strategies under consideration. In Table 3, Strategy 3 is the most attractive among the three strategies being considered, as indicated along the bottom row with the summation value of 17 (AS) and more importantly the 2.45 (STAS). STASs are a better measure of relative attractiveness as compared to the summed AS values, because the former takes into consideration the assigned weights. Higher STASs indicate more attractive strategies, considering all the relevant external and internal factors that could affect the alternatives. The next most attractive strategy in Table 3 is Strategy 1. STASs in a QSPM analysis represent valuable information for a marketer to effectively and proactively choose among several attractive strategies, given cost and expense constraints associated with the decision at hand. The magnitude of the difference between the STASs indicates the relative desirability of one strategy over another. This too is important information provided in QSPM analysis.

#### ***An example QSPM***

An actual QSPM for a local chain of 10 Mexican restaurants is provided in Table 4. Two alternative marketing strategies are being considered by the company: (1) Raise advertising

**Table 4.** An actual QSPM.

	Alternative strategies				
	Weight	1		2	
		AS	TAS	AS	TAS
Key external factors					
Opportunities					
1. Rival restaurant is raising prices 10%	0.10	1	0.10	2	0.20
2. Two rival restaurants opening in a year	0.10	2	0.20	1	0.10
3. Vehicle traffic passing stores up 12%	0.08	1	0.08	2	0.16
4. Trend toward healthy eating up 10%	0.05	–	–	–	–
5. # of Senior citizen customers up 8%	0.05	1	0.05	2	0.10
6. Small business growth in area up 10%	0.10	–	–	–	–
7. Use of business websites up 12%	0.06	–	–	–	–
8. Local college growing 5% annually	0.06	–	–	–	–
Threats					
1. Chipotle lowered prices on some items	0.15	1	0.15	2	0.30
2. Local university enrollments falling 10%	0.08	–	–	–	–
3. New bypass will divert traffic	0.12	2	0.24	1	0.12
4. New mall being built nearby	0.08	–	–	–	–
5. Gas prices declined 14%	0.04	–	–	–	–
6. Vendors raising prices 8%	0.03	2	0.06	1	0.03
Total	1.00				
Key internal factors					
Strengths					
1. # of customers increased 10%	0.05	2	0.10	1	0.05
2. Average customer purchase increased from \$97–\$128	0.07	1	0.07	2	0.14
3. Employee morale is excellent	0.10	–	–	–	–
4. In-store promotions resulted in 20% increase in sales	0.05	–	–	–	–
5. Newspaper advertising expenditures increased 10%	0.02	–	–	–	–
6. Revenues from repair/service segment of store up 16%	0.15	2	0.30	1	0.15
7. In-store sales persons have college degree	0.05	–	–	–	–
8. Firm's debt-to-total-assets ratio declined to 8%	0.03	–	–	–	–
9. Revenues per employee up 19%	0.02	–	–	–	–
Weaknesses					
1. Revenues from beverage segment of store down 12%	0.10	–	–	–	–
2. Location of stores negatively impacted by new Hwy 34	0.15	2	0.30	1	0.15
3. Carpet in stores needs fixing	0.02	–	–	–	–
4. Bathrooms in stores need enlarging	0.02	–	–	–	–
5. Revenues from burgers down 8%	0.04	1	0.12	2	0.08
6. Company has no website	0.05	–	–	–	–
7. Supplier on-time delivery increased to 2.4 days	0.03	–	–	–	–
8. Often customers have to wait to check out	0.05	–	–	–	–
Total	1.00		1.75		1.58

expenditures 50% vs. (2) Lower menu prices 10%. As shown in Table 4 along the first row, the first key external factor (i.e. rival restaurant is raising prices 10%), has a TAS score of 4, meaning that the strategy to 'lower menu prices 10%' is deemed to be more attractive for dealing with this external factor than the strategy to 'raise advertising expenditures 50%'. Also as shown in Table 4, the most important external factor, as indicated by the weight of 0.15, is that 'Chipotle lowered prices on some items.' As discussed previously, dashes indicate which factors do not affect the marketing strategy choice being considered. Note that a 1–2 AS value range is used in this example, with 1 being least attractive and 2 being most attractive.

Overall, the results of the QSPM for the chain of restaurants reveal that the business should raise advertising expenditures 50%. Specifically, the summed total attractiveness score of

1.75 for Strategy 1 is higher than the score of 1.58 for Strategy 2. While the company could implement both strategies if monies become available, the results of the QSMP reveal that Strategy 1 is more attractive than Strategy 2. That is, when considering the internal and external factors associated with the company's industry, the company's strategy of raising advertising expenditures is 45% more attractive than lowering menu prices [(3.64–3.27)/3.27]. This is important information for marketers of this business.

## Discussion

### *Positive features of QSPM analysis*

A positive feature of the QSPM is any number of strategies can be evaluated at once or in sets of strategies. Another positive feature is that the QSPM analysis requires strategists to integrate pertinent external and internal factors into the decision-making process. This feature makes it less likely that key factors will be overlooked or weighted inappropriately, thus minimizing halo error in determining the best among any number of strategies being considered (Enright, 2001). A QSPM draws attention to important relationships that affect marketing strategy decisions. Although developing a QSPM requires a number of subjective decisions, making small decisions along the way enhances the probability that the final 'strategic' decisions will be effective for the organization. A QSPM can be used by small and large, for-profit and nonprofit organizations. Unlike SWOT analysis, QSPM analysis enables marketers to assign numerical values to reveal judgment as to the relative importance of factors and the relative attractiveness of strategies.

### *Limitations of QSPM analysis*

The QSPM has some limitations. First, it always requires intuitive judgments and educated assumptions. The weights, ratings, and ASs require judgmental decisions, even though they should be based on objective company and industry trends, facts, data, and information (Henderson & Nutt, 1980). Discussion among marketers throughout the strategy-formulation process, including development of a QSPM, is constructive and improves strategic decisions. Constructive discussion during strategy analysis and choice may arise because of genuine differences of interpretation of information and varying opinions (Wilson & McDonald, 1994). Another limitation of the QSPM is that it can be only as good as the prerequisite information upon which it is based. Further research is needed to determine when QSPM analysis can be most helpful in terms of various industries, settings, and scenarios.

## Conclusion

A primary reason that marketing is one of the major functions of business is that marketing is expensive, yet necessary. A firm can go broke marketing, yet if the firm does not effectively get the word out about its product or service, the firm could also go broke. A 30-s ad on the upcoming super bowl will exceed \$4 million. Largely due to costs and budgets, marketing strategies must be effectively formulated, implemented, and evaluated. The QSPM described in this paper could be helpful to marketers in deciding which strategy or strategies would be best (i.e. most attractive), for the firm to proceed with funding. Conceptually, QSPM analysis

makes good sense because the potential attractiveness of alternative strategies should logically be based on the extent that they capitalize upon key underlying external and internal factors. Practically, QSPM analysis makes sense because it could enable marketers to more effectively spend available monies. Although widely used as a strategic management tool, OSPM has not been used in marketing strategy, as far as these authors can determine. This paper hopefully will initiate a change for the better in the practice of marketing.

## Disclosure statement

No potential conflict of interest was reported by the authors.

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