

# CHAPTER 2

## PLANNING, IMPLEMENTING, AND EVALUATING MARKETING STRATEGIES

### TEACHING RESOURCES QUICK REFERENCE GUIDE

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### KEY TERMS

SWOT analysis	market growth/market share matrix	performance standard
centralized organization	market opportunity	sales analysis
competitive advantage	market share	strategic business unit (SBU)
core competencies	marketing cost analysis	strategic marketing management
corporate strategy	marketing implementation	strategic performance evaluation
decentralized organization	marketing objective	strategic planning
first-mover advantage	marketing plan	strategic windows
late-mover advantage	marketing strategy	sustainable competitive advantage
market	mission statement	

## SIDE-BY-SIDE COMPARISON OF THE MAJOR TOPICS AND LEARNING OBJECTIVES

A-Head	Learning Objective
2-1 The Strategic Planning Process	2-1 Explain the strategic planning process.
2-2 Establishing Organizational Mission, Goals, and Strategies	2-2 Understand the importance of a firm's mission statement and corporate and business-unit strategy.
2-3 Assessing Organizational Resources and Opportunities	2-3 Assess how analyzing organizational resources and the marketing environment can help identify opportunities and create competitive advantage.
2-4 Developing Marketing Objectives and Marketing Strategies	2-4 Explore how a firm develops marketing objectives & strategies that contribute to overall objectives.
2-5 Managing Marketing Implementation	2-5 Identify what is necessary to manage the effective implementation of marketing strategies.
2-6 Evaluating Marketing Strategies	2-6 Describe the four major elements of strategic performance evaluation.
2-7 Creating the Marketing Plan	2-7 Discuss the development of a marketing plan.

### WHAT'S NEW IN THIS CHAPTER?

- This chapter has been restructured to improve the flow of concepts.
- The learning objectives and summary have been revised to reflect changes in this chapter's structure.
- A new Marketing Insights feature describes how Blue Apron uses marketing strategy to differentiate itself from competitors.
- A new example about Slack is included in the "Developing Organizational Mission and Goals" section.
- A new example about Re/Max Holdings is provided in the "Corporate Strategy" section.
- New Going Green boxed feature discusses the market for eco-friendly cleaners.
- New examples involving Google and Amazon have been added to the "Business-Unit Strategies" section.
- New section on competitive growth strategies has been added, including a new Figure 2.4 showing competitive growth strategies ranging from market penetration and market development to product development and diversification.
- A new example involving Whole Foods has been added to the "Assessing Organizational Resources and Opportunities" section.
- New Entrepreneurship in Marketing boxed feature explores the growth of Scholly, which helps college students find scholarships.
- A new example involving Google Home is in the "First Mover and Late Mover Advantage" section.
- A new example involving Airstream is included in the "Creating Marketing Mixes" section.
- The section "Motivating Marketing Personnel" has been retitled "Coordinating and Communicating" and combined with the section "Communicating within the Marketing Unit."

- A new example about McDonald's all-day breakfast menu has been added to the "Sales Analysis" section.
- A new Snapshot feature highlights the percentage of revenues spent on marketing.

## **PURPOSE AND PERSPECTIVE**

This chapter focuses on strategic planning. It begins with an overview of the strategic planning process. Next, it examines the process of strategic planning and the importance of missions and goals, corporate and business-unit strategies, and resources and opportunities to an organization's strategy. It then explores how to implement the marketing strategy and the creation of the marketing plan. These elements provide a framework for the development and implementation of marketing strategies, as can be seen throughout the remainder of this book.

## **LECTURE OUTLINE**

## Introduction

- A. **Strategic marketing management** is the process of planning, implementing, and evaluating the performance of marketing activities and strategies, both effectively and efficiently.
  - 1. Effectiveness is the degree to which long-term customer relationships help achieve an organization's objectives.
  - 2. Efficiency refers to minimizing the resources an organization uses to achieve a specific level of desired customer relationships.
- B. The overall goal of strategic marketing management is to facilitate highly desirable customer relationships and to minimize the costs of doing so.

## I. The Strategic Planning Process

- A. Through the process of **strategic planning**, a company establishes an organizational mission and formulates goals, a corporate strategy, marketing objectives, and a marketing strategy.
  - 1. Figure 2.1 shows the various components of the strategic planning process, which begins with the establishment or revision of an organization's mission and goals.
  - 2. The corporation and individual business units then develop strategies to achieve the goals.
  - 3. The company performs a detailed analysis of its strengths and weaknesses and identifies opportunities and threats within the external marketing environment.
  - 4. Each functional area of the organization establishes its own objectives and develops strategies to achieve them, which must support the organization's overall goals and mission and should be focused on market orientation.

## II. Establishing Organizational Mission, Goals, and Strategies

- A. Developing Organizational Missions and Goals
  - a. The strategic planning process begins with deciding on the firm's organizational mission and goals. These give meaning and direction to the organization.
  - b. The goals of any organization should derive from its **mission statement**, a long-term view, or vision, of what the organization wants to become.
  - c. It is advantageous to broadcast mission statements, goals, and objectives to stakeholders so that they know what they may expect from the firm.
  - d. Goals focus on the end results the organization seeks.
- B. Developing Corporate and Business-Unit Strategies
  - a. In most organizations, strategic planning begins at the corporate level and proceeds downward to the business-unit and marketing levels.
  - b. However, organizations are increasingly developing and conducting strategic planning strategy that moves in both directions.
  - c. When conducting strategic planning, a firm is likely to seek out experts from many levels of the organization to take advantage of in-house expertise and a variety of opinions.
  - d. Corporate Strategies
    - (1) **Corporate strategy** determines the means for utilizing resources in the functional areas of marketing, production, finance, research and development, and human

resources to reach the organization's goals.

- (2) A corporate strategy outlines the scope of the business and such considerations as resource deployment, competitive advantages, and overall coordination of functional areas.
- (3) Corporate strategy planners are concerned with broad issues such as corporate culture, competition, differentiation, diversification, interrelationships between business units, and environmental and social issues. They are also concerned with defining the scope and role of the company's business units so the units coordinate their efforts to reach the ends desired.

e. Business-Unit Strategy

- (1) A **strategic business unit (SBU)** is a division, product line, or other profit center within the parent company.
- (2) Each SBU sells a distinct set of products to an identifiable group of customers and each competes with a well-defined set of competitors.
- (3) Strategic planners should recognize the performance capabilities of each SBU and carefully allocate resources among the divisions.
- (4) A **market** is a group of individuals and/or organizations that have needs for products in a product class and have the ability, willingness, and authority to purchase those products.
- (5) The percentage of a market that actually buys a specific product from a particular company is referred to as that product's (or business unit's) **market share**.
- (6) One of the most helpful tools for a marketer is the **market growth/market share matrix**, a helpful business tool, based on the philosophy that a product's market growth rate and its market share are important considerations in determining its marketing strategy
- (7) Figure 2.3, which is based on work by the BCG, enables a strategic planner to classify a company's products into four basic types:
  - i. *Stars*—products with a dominant share of the market and good prospects for growth. They use more cash than they generate in order to finance growth, add capacity, and increase market share. Example: Lenovo's tablet computers.
  - ii. *Cash cows*—have a dominant share of the market but low prospects for growth. They typically generate more cash than is required to maintain market share. Example: Procter & Gamble's Bounty paper towels.
  - iii. *Dogs*—have a subordinate share of the market and low prospects for growth. Dogs are often found in established markets. Example: The cathode ray tube television would probably be considered a dog by a company like Panasonic, as most customers prefer flat screens.
  - iv. *Question marks*—sometimes called "problem children," have a small share of a growing market and require a large amount of cash to build market

share. Example: Mercedes bicycles are a question mark relative to Mercedes's automobile product.

- (8) The long-term health of an organization depends on having a range of products, some that generate cash (and generate acceptable profits) and others that use cash to support growth.
  - (9) The major indicators of a firm's overall health are: the size and vulnerability of the cash cows, the prospects for the stars, and the number of question marks and dogs.
- f. Competitive Growth Strategies
- (10) Based on analyses of each product or business unit, a firm may choose one or more competitive strategies.
    - i. *Market penetration* is a strategy of increasing sales in current markets with current products.
    - ii. *Market development* is a strategy of increasing sales of current products in new markets.
    - iii. *Product development* is a strategy of increasing sales by improving present products or de-veloping new products for current markets.
    - iv. *Diversification* is a strategy of developing new products to be sold in new markets

### III. Assessing Organizational Resources and Opportunities

- A. The next phase of the strategic planning process is an analysis of the marketing environment, including the industry in which the company operates or intends to sell its products.
  - 1. Any strategic planning effort must take into account the organization's available financial and human resources and capabilities and how these resources are likely to change over time, as changes may affect the organization's ability to achieve its mission and goals.
  - 2. Adequate resources can help a firm generate customer satisfaction and loyalty, goodwill, and a positive reputation, all of which impact marketing through creating well-known brands and strong financial performance.
  - 3. **Core competencies**, things a firm does extremely well, give the company an advantage over competition.
  - 4. Analysis of the marketing environment also includes identifying opportunities in the marketplace, which requires a solid understanding of the company's industry.
  - 5. When the right combination of circumstances and timing permits an organization to take action to reach a particular target market, a **market opportunity** exists.
  - 6. **Strategic windows** are temporary periods of optimal fit between the key requirements of a market and the particular capabilities of a firm competing in that market.
  - 7. When a company matches a core competency to opportunities it has discovered in the marketplace, it is said to have a **competitive advantage**.
- B. SWOT Analysis
  - 1. The **SWOT analysis** is used to assess an organization's strengths, weaknesses, opportunities, and threats (Figure 2.5).

- a. Strengths and weaknesses are internal factors that can influence an organization's ability to satisfy its target markets.
  - (1) *Strengths* refer to competitive advantages or core competencies that give the organization an advantage over other firms in meeting the needs of its target markets.
  - (2) *Weaknesses* are limitations a company faces in developing or implementing a marketing strategy.
- b. Opportunities and threats affect all organizations within an industry, market, or geographic region because they exist outside of and independently of the company.
  - (1) *Opportunities* refer to favorable conditions in the environment that could produce rewards for the organization if acted upon properly.
  - (2) *Threats* refer to barriers that could prevent the company from reaching its objectives.

### C. First-Mover and Late-Mover Advantage

1. A **first-mover advantage** is the ability of an innovative company to achieve long-term competitive advantages by being the first to offer a certain product in the marketplace.
  - a. Being the first to enter a market helps a company build a reputation as a pioneer and market leader.
  - b. For a first mover, the market is, for at least a short period, free of competition as potential competitors work to develop a rival product.
  - c. Because consumers have no choice initially, being a first-mover also helps establish customer brand loyalty in cases when switching to another brand later, when there are more options, may be costly or difficult for the consumer.
  - d. The first to develop a new product can also protect secrets and technology through patents.
  - e. However, there are usually high outlays associated with creating a new product, including market research, product development, production, and marketing—or buyer education—costs.
  - f. Also, early sales growth may not match predictions if the firm overestimates demand or fails to target marketing efforts properly.
  - g. The company runs the risk that the product will fail due to market uncertainty, or that the product might not completely meet consumers' expectations or needs.
2. A **late-mover advantage** is the ability of later market entrants to achieve long-term competitive advantages by not being the first to offer a certain product in a marketplace.
  - a. Competitors that enter the market later can benefit from the first mover's mistakes and have a chance to improve on the product design and marketing strategy.
  - b. A late mover is also likely have lower initial investment costs than the first mover because the first mover has already developed a distribution infrastructure and educated buyers about the product.
  - c. By the time a late mover enters the market, there is also more data, and therefore more certainty, about product success.
  - d. However, the company that entered the market first may have patents and other protections on its technology and trade secrets that prevent the late mover from producing a similar product.

- e. If customers who have already purchased the first mover's product believe that switching to the late mover's product will be expensive or time-consuming, it may be difficult for the late mover to gain market share.
- f. The timing of entry to the market is crucial.

#### IV. Developing Marketing Objectives and Marketing Strategies

- A. A **marketing objective** states what is to be accomplished through marketing activities.
  1. Objectives can be given in terms of product introduction, product improvement or innovation, sales volume, profitability, market share, pricing, distribution, advertising, or employee training activities.
  2. Marketing objectives should be based on a careful study of the SWOT analysis, matching strengths to opportunities, eliminating weaknesses, and minimizing threats.
  3. Marketing objectives should possess certain characteristics:
    - a. They should be expressed in clear, simple terms so that all marketing and nonmarketing personnel in the company understand exactly what they are trying to achieve.
    - b. They should be measurable, which allows the organization to track progress and compare outcomes against beginning benchmarks.
    - c. They should specify a time frame for its accomplishment
    - d. They should be consistent with both business-unit and corporate strategies
    - e. They should be achievable, use company resources effectively, and successfully contribute to overall corporate strategy
  4. A **marketing strategy** is the selection of a target market and the creation of a marketing mix that will satisfy the needs of target market members.
- B. Selecting the Target Market
  1. Selecting an appropriate target market may be the most important decision a company makes in the strategic planning process and is a key to strategic success.
  2. The target market must be chosen before the organization can adapt its marketing mix to meet the customers' needs and preferences.
  3. Careful and accurate target market selection is crucial to productive marketing efforts.
    - a. Products, and even whole companies, sometimes fail because marketers misidentify the best target market for their products.
  4. When exploring possible target markets, marketing managers try to evaluate how entry could affect the company's sales, costs, and profits.
  5. Marketing information should be organized to facilitate a focus on the chosen target customers.
  6. Marketers should assess whether the company has the appropriate resources to develop a marketing mix that meets the needs of the target market.
  7. The size and number of competitors already marketing products in potential target markets are concerns as well.
- C. Creating Marketing Mixes
  1. Using all relevant information available to conduct in-depth research allows a firm to select the most appropriate target market, which is the basis for creating a marketing mix that

- satisfies the needs of that market.
2. The organization should analyze demographic information, customer needs, preferences, and behaviors with respect to product design, pricing, distribution, and promotion.
  3. Marketing mix decisions should be consistent and flexible.
    - a. Consistency allows the organization to achieve its objectives on all three levels of planning.
    - b. Flexibility permits the organization to alter the marketing mix in response to changes in market conditions, competition, and customer needs.
  4. Utilizing the marketing mix as a tool set, a company can detail how it will achieve a sustainable competitive advantage.
  5. A **sustainable competitive advantage** is one that the competition cannot copy in the foreseeable future.

## V. Managing Marketing Implementation

- A. **Marketing implementation** is the process of putting marketing strategies into action.
- B. Through planning, marketing managers provide purpose and direction for an organization's marketing efforts.
- C. Organizing the Marketing Unit
  1. The structure and relationships of a marketing unit, including establishing lines of authority and communication that connect and coordinate individuals, strongly affect marketing activities.
  2. Companies that truly adopt the marketing concept develop an organizational culture that is based on a shared set of beliefs that places the customer's needs at the center of decisions about strategy and operations.
  3. Firms must decide whether to centralize or decentralize operations, a choice that directly affects marketing decision making and strategy.
    - a. In a **centralized organization**, top-level managers delegate little authority to lower levels. In centralized organizations, marketing decisions are made at the top levels
    - b. In a **decentralized organization**, decision making authority is delegated as far down the chain of command as possible. Decentralized authority allows the company to adapt more rapidly to customer needs.
  4. How effectively a company's marketing management can implement marketing strategies also depends on how the marketing unit is organized.
    - a. Organizing marketing activities to align with the overall strategic marketing approach enhances organizational efficiency and performance.
- D. Coordinating and Communicating
  1. Marketing managers must coordinate diverse employee actions to achieve marketing objectives, and they must work closely with management in many areas, including research and development, production, finance, accounting, and human resources to ensure that marketing activities align with other functions of the firm.
  2. Marketing managers must be in clear communication with the firm's upper-level management to ensure that they are aware of the firm's goals and achievements and that marketing activities are consistent with the company's overall goals and strategies.

3. Customer-contact employees are in a unique position to understand customers' wants and needs, and pathways should be open for them to communicate this knowledge to marketing managers.
  4. An effective training program provides employees with a forum to learn and ask questions, and results in employees who are empowered and can be held accountable for their performance.
  5. To motivate marketing personnel, managers must address their employees' needs to maintain a high level of workplace satisfaction.
- E. Establishing a Timetable for Implementation
1. Successful marketing implementation requires that employees know the specific activities for which they are responsible and the timetable for completing them.
  2. Establishing an implementation timetable involves several steps:
    - a. Identifying the activities to be performed
    - b. Determining the time required to complete each activity
    - c. Separating the activities to be performed in sequence from those to be performed simultaneously
    - d. Organizing the activities in the proper order
    - e. Assigning responsibility for completing each activity to one or more employees, teams, or managers

## VI. Evaluating Marketing Strategies

- A. To achieve marketing objectives, marketing managers must evaluate marketing strategies effectively.
- B. **Strategic performance evaluation** consists of establishing performance standards, measuring actual performance, comparing actual performance with established standards, and modifying the marketing strategy, if needed.
- C. Establishing Performance Standards
1. A **performance standard** is an expected level of performance against which actual performance can be compared.
  2. Marketing objectives directly or indirectly set forth performance standards, usually in terms of sales, costs, or communication dimensions, such as brand awareness or product feature recall.
- D. Analyzing Actual Performance
1. The principle means by which a marketer can gauge whether a marketing strategy has been effective in achieving objectives is by analyzing the actual performance of the marketing strategy. One of the means of analyzing actual performance is by conducting customer research and surveys.
  2. Sales Analysis
    - a. **Sales analysis** uses sales figures to evaluate a firm's current performance.
    - b. It is a common method of evaluation because sales data are readily available, at least in aggregate form, and can reflect the target market's reactions to a marketing mix.
    - c. Marketers must compare current sales data with forecasted sales, industry sales, specific competitor's sales, and the costs incurred from marketing efforts to achieve

- the sales volume.
  - d. Although sales may be measured in several ways, the basic unit of measurement is the sales transaction.
  - e. A sales transaction results in an order for a specified quantity of the organization's product sold under specified terms by a particular salesperson or sales team on a certain date.
  - f. Firms frequently use dollar volume in their sales analyses because the dollar is a common denominator of sales, costs, and profits
  - g. A marketing manager who uses dollar-value analysis should factor out the effects of price changes, which can skew the numbers by making it seem that more or fewer sales have been made than is the case.
  - h. Market share analysis lets a company compare its marketing strategy with competitors' strategies.
  - i. The primary reason for using market share analysis is to estimate whether sales changes have resulted from the firm's marketing strategy or from uncontrollable environmental forces.
  - j. Even though market share analysis can be helpful in evaluating the performance of a marketing strategy, the user must exercise caution when interpreting results.
3. Marketing Cost Analysis
- a. **Marketing cost analysis** breaks down and classifies costs to determine which are associated with specific marketing efforts.
  - b. By pinpointing exactly where a company incurs costs, marketing cost analysis can help isolate profitable or unprofitable customers, products, and geographic areas.
  - c. A company that understands and manages costs appropriately has a competitive advantage.
  - d. One way to analyze costs is by comparing a company's costs with industry averages.
  - e. However, a company should take into account its own unique situation.
  - f. Costs can be categorized in different ways when performing marketing cost analysis.
    - i. One way is to identify which costs are affected by sales or production volume.
    - ii. Some costs are fixed costs, meaning they do not change between different units of time, regardless of a company's production or sales volume.
    - iii. Some costs are directly attributable to production and sales volume. These are known as variable costs, and they are stated in terms of a per quantity (or unit) cost.
- E. Comparing Actual Performance with Performance Standards and Making Changes, If Needed
- 1. When comparing actual performance with established performance standards, a firm may find that it exceeded or failed to meet performance standard benchmarks.
  - 2. When actual performance exceeds performance standards, marketers will likely be satisfied and a marketing strategy will be deemed effective.
    - a. It is important that a firm seek to gain an understanding of why the strategy was effective because this information may allow marketers to adjust the strategy tactically to be even more effective.
  - 3. When actual performance fails to meet performance standards, marketers should seek to

understand why the marketing strategy was less effective than expected.

- a. Environmental changes or aggressive competitive behavior can both cause a marketing strategy to underperform.
4. When a marketer finds that a strategy is underperforming expectations, a question sometimes arises as to whether the marketing objective, against which performance is measured, is realistic.
    - a. After studying the problem, the firm may find that the marketing objective is indeed unrealistic.
    - b. In this case, marketers must alter the marketing objective to bring it in line with more sensible expectations.
    - c. It is also possible that the marketing strategy is underfunded.

#### IV. Creating the Marketing Plan

- A. The strategic planning process ultimately yields a marketing strategy that is the framework for a **marketing plan**, a written document that specifies the marketing activities to be performed to implement and evaluate the organization's marketing strategies.
  1. It provides a uniform marketing vision for the firm and is the basis for internal communications.
  2. It delineates marketing responsibilities and tasks and outlines schedules for implementation.
  3. It presents objectives and specifies how resources are to be allocated to achieve them.
  4. It helps managers monitor and evaluate the performance of a marketing strategy.
- B. A single marketing plan can be developed and applied to the business as a whole, but it is more likely that a company will choose to develop multiple marketing plans, with each relating to a specific brand or product.
  1. Multiple marketing plans are part of a larger strategic business plan and are used to implement specific parts of the overall strategy.
- C. Organizations use many different formats when producing a marketing plan.
  1. They may be written for strategic business units, product lines, individual products or brands, or specific markets.
- D. Marketing planning and implementation are closely linked in successful companies.
  1. The marketing plan provides a framework to stimulate thinking and provide strategic direction, whereas implementation is an adaptive response to day-to-day issues, opportunities, and unanticipated situations that cannot be incorporated into marketing plans.
- E. Table 2.1 describes the major elements of a typical marketing plan:
  1. The first component is the executive summary, which provides an overview of the entire plan so that readers can quickly identify the key issues and their roles in the planning and implementation processes.
  2. The next component of the marketing plan is the environmental analysis, which supplies information about the company's current situation with respect to the marketing environment, the target market, and the firm's current objectives and performance.
  3. The next component of the marketing plan is the SWOT analysis (strengths, weaknesses, opportunities, and threats), which utilizes the information gathered in environmental analysis.

4. The marketing objectives section of the marketing plan states what the company wants to accomplish through marketing activities, using the SWOT analysis as a guide of where the firm stands in the market.
5. The marketing strategies component outlines how the firm plans to achieve its marketing objectives and discusses the company's target market selection(s) and marketing mix.
6. The marketing implementation component of the plan outlines how marketing strategies will be executed.
7. The performance evaluation establishes the standards for how results will be measured and evaluated, and what actions the company should take to reduce the differences between planned and actual performance.

## **DISCUSSION STARTERS**

**Discussion Starter 1: Identifying Core Competencies**

*ASK: What are McDonald's core competencies?*

Many students will focus on food, but the key to McDonald's success is a focus on consistency. McDonald's restaurants all look very similar and serve a very consistent product. Customers know what they will receive, no matter where they are in the world. (It is noteworthy, however, that even McDonald's is experimenting with customization with its "Create Your Taste" customization kiosks available in certain test markets.)

*ASK: How many of you have eaten in McDonald's in other countries? What was similar to the local McDonald's?*

McDonald's goal is to have consistent product, service, and environment throughout the world. This consistency gives the consumer confidence that the purchase will meet expectations. The other competency McDonald's possesses is the ability to identify local menu items which fit within McDonald's offerings.

*Exercise Extender:* Visit [www.aboutmcdonalds.com/country/map.html](http://www.aboutmcdonalds.com/country/map.html) and visit a number of McDonald's international sites. Discuss with the students the similarities and the differences between the sites. This will bring the discussion of McDonald's core competencies to life.

**Discussion Starter 2: Mission Statements**

Present Ben and Jerry's Social, Product, and Economic mission statements (available at <http://www.benjerry.com/values>) as well as New Belgium Brewing's history and mission statement—or what it calls its purpose statement (available at <http://www.newbelgium.com/Brewery/company/history.aspx>).

Discuss these two companies that are known for their high ethical standards and their mission statements. Mission statements are important because they act as a compass to lead the company in the right direction. Using the section in the book about mission statements, have students analyze their strengths and weaknesses.

*ASK: Can you think of any companies that are unique or different? Do you think their uniqueness is reflected in their mission statements?*

Have students look up these companies' mission statements on their websites and analyze their content.

**Discussion Starter 3: Marketing Debate: Should Drugstores Sell Tobacco Products?**

*ASK: Do you believe eliminating tobacco products from its product offerings aligns with CVS's mission to help consumers stay healthy?*

Student answers might vary, but many will likely believe that eliminating tobacco products—a dangerous product that can cause illness such as lung cancer—does align with CVS's mission to become more of a

healthcare company. Those who might not agree may claim that consumers should have the freedom of choice to buy and consume a product that might be harmful as long as it is legal.

*ASK: What are some strengths and weaknesses of CVS's decision to eliminate tobacco products?*

Strengths include better alignment with its mission to help consumers remain healthy and adoption of a bold strategy that competitors do not yet want to imitate. Weaknesses include the \$2 billion in lost sales that dropping tobacco products will cause.

*ASK: What are some opportunities and threats to CVS as it eliminates tobacco products?*

Opportunities include strong support from and perhaps strategic partnerships with healthcare firms, consumer advocates, and attorneys general. A greater emphasis on healthy living and lower rates of tobacco usage also present opportunities for CVS. Threats include the alienation of smoking customers or the possibility that other competitors will follow CVS's lead (thereby eliminating its competitive advantage).

#### **Discussion Starter 4: Internal Marketing**

Marketing is not just for external customers. Internal marketing refers to the coordination of internal exchanges between the organization and its employees to better achieve successful external exchanges between the organization and its customers. The following questions should help students think about how the organizations they work for try to create internal loyalty to the company or brand.

*ASK: How many of you work for firms that have internal marketing efforts?*

Many of the students will work for firms that offer programs and benefits designed to bond the employees to the brand. For example, banks such as Bank of America offer employees access to websites that provide discounts. Other companies have added social-media areas to their internal networks.

*ASK: Why is internal marketing so important?*

In order to reach the new generation of workers, many firms are turning to their own media. An excellent example is Ernst & Young's use of Facebook. Originally targeted at recruits, this initiative now serves employees as well as alumni and bonds the individuals within the organization together. It has career Facebook pages for the United States, United Kingdom, Australia and New Zealand, India, Malaysia, and more. The following link connects to the Ernst & Young Facebook page for U.S. careers:

<https://www.facebook.com/eyuscareers>

(*Note:* You can access this page even if you are not signed into Facebook. Nevertheless, be careful to screen what is viewed in class as there may be objectionable information on many sites.)

*ASK: Do you think these efforts will be successful? Should other firms use this technique as part of their internal marketing efforts?*

Students should be able to support their answers to this question.



## CLASS EXERCISES

### Class Exercise 1: Campus Specific University Mission Statements

*Note:* If computer access is not available during class, you will need to provide students with the university mission statement.

Step 1: Analyze the mission statement for your university.

Step 2: Identify campus activities consistent with the mission statement.

Step 3: Identify the core competencies of the university.

Step 4: List any marketing activities consistent with the mission statement.

### Class Exercise 2: A Personal SWOT Analysis Related to Getting a Great Job After Graduation

Ask each student at the beginning of class to silently generate a SWOT analysis of their strengths, weaknesses, opportunities, and threats for getting a great job when they graduate. More specifically, have them write out at least three strengths, three weaknesses, three opportunities they foresee, and three threats that may impact their getting a job after college.

Have students refer to *Figure 2.5* in the text for matching strengths to opportunities and converting weaknesses to strengths and threats to opportunities. Most importantly, ask each student to put an asterisk in the SWOT quadrant they believe is most important and why. This exercise should take approximately 5 to 10 minutes.

*Note:* After the students have handed in their work, conduct a quick frequency count on each of the four quadrants that students marked as most important. Then ask the students to answer the following question:

According to the SWOT analysis data generated and discussed in class, the quadrant that was deemed to be the most important by our class was \_\_\_\_\_ and the quadrant deemed to be the least important was \_\_\_\_\_.

- A) opportunities; threats
- B) strengths; threats
- C) strengths; weaknesses
- D) weaknesses; threats
- E) threats; opportunities

Hopefully, students will find that either strengths or opportunities are most important and weaknesses are least important. Have the students discuss their answers.

### Class Exercise 3: Developing Marketing Objectives and Marketing Strategies for SodaStream

SodaStream manufactures carbonation systems that allow customers to make their own sodas at home. Its products are sold in retailers ranging from Walmart and Sears to Amazon and Williams-Sonoma. Critical of the amount of waste generated by beverage companies, SodaStream systems

include a reusable bottle to help cut back on the plastic/aluminum ending up in landfills. However, other beverage companies are becoming increasingly green and challenging SodaStream's green message. Both Keurig Green Mountain and Cuisinart have home carbonation systems available that are alternatives to SodaStream's system. While currently controlling a very small percentage of the global soda market, SodaStream hopes that one day it will be its leader.

1. List a few possible marketing objectives for SodaStream.
2. Who do you think is SodaStream's target market?
3. What marketing strategies does SodaStream currently apply?
4. Evaluate SodaStream's current marketing mix. Are there areas of the mix that you would modify?

#### **Class Exercise 4: Boston Consulting Group Market Growth/Market Share Matrix for Apple Strategic Business Units**

Apple Inc. is an American multinational corporation that designs, develops, and sells consumer electronics, computer software, online services, and personal computers. Some of Apple's strategic business units are Mac personal computers, iPad tablets, iPod digital music players, iPhone smartphones, Apple TV, and OS X operating system.

Using the market growth/market share matrix developed by the Boston Consulting Group, classify each of Apple's strategic business units listed above into one of these four basic types:

**Star:** A product with a dominant share of the market and good prospects for growth. It uses more cash than it generates to finance growth, add capacity, and increase market share.

**Cash Cow:** A product that has a dominant share of the market, but low prospects for growth. It typically generates more cash than is required to maintain market share.

**Dog:** A product that has a subordinate share of the market and low prospects for growth. It is often found in established markets.

**Question Mark:** A product that has a small share of a growing market and generally requires a large amount of cash to build market share. It is sometimes called "problem child."

## SEMESTER PROJECT

The strategic planning process begins with an assessment of the organization's current state. This task is generally accomplished through a SWOT analysis. In order to plan a successful career, you too must understand your strengths and weaknesses. This exercise is designed to help you conduct a personal SWOT analysis.

### Step 1: Internal Assessment

The first step is to begin with a self-assessment. There are many tools available to help you identify your own strengths and weaknesses. The following website contains questions to assist you in identifying your wants and capabilities.

[https://www.mindtools.com/pages/article/newTMC\\_05\\_1.htm](https://www.mindtools.com/pages/article/newTMC_05_1.htm)

Write a brief statement about the results of your internal assessment. Remember, the key is to be honest with yourself.

### Step 2: External Assessment

Personality testing is used to help you identify careers which make best use of your personality type. Organizations also use personality testing to identify ideal job candidates, testing applicants to determine if personality profiles meet the job requirements. Access to personality testing is often available through campus career resource centers. If your campus does not provide this service, then try online versions such as <http://www.humanmetrics.com/cgi-win/JTypes1.htm>. After completing the online test, you will be given a series of four letters. These letters represent your personality type and can be used to search for careers fitting your personality.

Another means of identifying your strengths and weaknesses is to ask those around you to discuss these attributes with you. The second part of this exercise is to seek three people who know you in different capacities. Ask these three people to discuss with you your key strengths and weaknesses. Key people to ask include your boss, a professor who knows you well, and a long-time friend. Honest responses will help you better understand yourself, so ask for direct responses.

Write a brief report on the key insights gained from these exercises.

## CHAPTER QUIZ

1. A long-term view, or vision, of what an organization wants to become is called a
  - a. vision statement
  - b. purpose statement
  - c. mission statement
  - d. marketing plan
  - e. strategic vision
  
2. A \_\_\_\_\_ states what is to be accomplished through marketing activities.
  - a. marketing strategy
  - b. strategic window
  - c. performance standard
  - d. marketing objective
  - e. corporate strategy
  
3. The questions “Who are our customers?” and “What is our core competency?” are answered in the firm’s
  - a. business plan
  - b. strategic window
  - c. mission statement
  - d. market opportunity statement
  - e. marketing plan
  
4. Products that have a relatively low market share and low prospects for growth are considered by the Boston Consulting Group to be \_\_\_\_\_.
  - a. dogs
  - b. cash cows
  - c. stars
  - d. cash contributors
  - e. question marks
  
5. \_\_\_\_\_ is a strategy of increasing sales in current markets with current products.
  - a. market penetration
  - b. strategic planning
  - c. market development
  - d. market opportunity
  - e. diversification

Answers to Chapter Quiz: 1. c; 2. d; 3. c; 4. a; 5. a.

## ANSWERS TO ISSUES FOR DISCUSSION AND REVIEW

### 1. Identify the major components of strategic planning, and explain how they are interrelated.

The major components of strategic planning include analysis of the organization's strengths and weaknesses and identification of its threats and opportunities, establishment of an organizational mission and goals, and development of corporate and business-unit strategies. Within the marketing area, the process continues with the establishment of marketing objectives, development of a marketing strategy and, ultimately, the creation of a marketing plan.

### 2. Explain how an organization can create a competitive advantage at the corporate strategy level and at the business-unit strategy level.

A competitive advantage exists when an organization matches its core competency to opportunities it has discovered in the marketplace. One way a firm can achieve a competitive advantage at the corporate level is through corporate mergers. The talents and abilities one corporation possesses can be combined with different competencies of another organization and matched to opportunities in the marketplace. At the business-unit level, an organization can develop a competitive advantage by intensifying growth in those products that the organization has mastered and those that also have great customer-market potential. A competitive advantage can also be created when a company has the foresight to diversify into other markets and/or products which capitalize on existing skills and knowledge. At the marketing strategy level, developing a competitive advantage relies on careful analysis of customers and their needs and then selecting the appropriate target market for the organization's core competencies.

### 3. What are some issues to consider in analyzing a company's resources and opportunities? How do these issues affect marketing objectives and marketing strategy?

The strategic planning process begins with an analysis of the marketing environment, including economic, competitive, political, legal and regulatory, technological, and sociocultural forces. The process must also include an assessment of an organization's available financial and human resources and capabilities, as well as how the level of these resources is likely to change. These analyses help the firm pinpoint its core competencies and identify market opportunities which the organization can exploit through carefully crafted marketing strategies.

### 4. What is SWOT analysis and why is it important?

A SWOT analysis is used to assess an organization's strengths and weaknesses, opportunities and threats. This information can be used to develop appropriate strategies for converting weaknesses into strengths, threats into opportunities, and to match internal strengths with external opportunities to develop competitive advantages.

### 5. How can an organization make its competitive advantages sustainable over time? How difficult

**is it to create sustainable competitive advantages?**

A sustainable competitive advantage is one that the competition cannot copy in the foreseeable future. Maintaining a sustainable competitive advantage requires flexibility in the marketing mix when facing uncertain competitive environments. It is difficult to create a sustainable competitive advantage, but it can be done by being a first-mover in a market or by offering the highest quality products.

**6. How should organizations set marketing objectives?**

A marketing objective states what is to be accomplished through marketing activities. These objectives can be stated in terms of product introduction, product improvement or innovation, sales volume, profitability, market share, pricing, distribution, advertising, or employee training activities. Marketing objectives must be consistent with the organization's goals. They should be written so that they are clear and measurable, and should state what is to be accomplished in what time frame.

**7. What are the two major parts of a marketing strategy?**

The two major parts of a marketing strategy are selecting a target market and creating a marketing mix. The target market must be chosen before the organization can adapt its marketing mix to meet the customers' needs and preferences. The marketing mix should be consistent with the business-unit and corporate strategies and flexible enough to adapt to changing conditions.

**8. When considering the strategic planning process, what factors influence the development of a marketing strategy?**

A marketing strategy should match the organization's corporate strategy and help the organization to achieve its goals. A marketing strategy articulates the best use of the company's resources to achieve its marketing objectives. It should also match customers' desires for value with the organization's distinctive capabilities.

**9. Identify and explain the major managerial actions that are a part of managing the implementation of marketing strategies.**

The implementation of marketing strategies requires managers to organize the marketing department (with centralized or decentralized power), motivate marketing personnel (through both financial and non-financial incentives), effectively communicate within the marketing department and with other departments, coordinate all marketing activities and ensure that all employees understand how they are contributing to the marketing strategy, and establish a timetable for the completion of each marketing activity.

**10. Which element of the strategic planning process plays a major role in the establishment of performance standards? Explain.**

As part of the strategic planning process, marketers set marketing objectives that indicate what a marketing strategy is supposed to accomplish. Marketing objectives directly or indirectly set forth performance standards, usually in terms of sales, costs, or communication dimensions, such as brand awareness or product feature recall. Actual performance should be measured in similar terms to facilitate comparisons and to make sure that the marketing department is achieving its objectives.

**11. When assessing actual performance of a marketing strategy, should a marketer perform marketing cost analysis? Why or why not?**

Marketers should perform marketing cost analysis to get a complete picture of marketing activities. A marketing strategy that successfully generates sales may also be extremely costly, so firms should know the marketing costs associated with using a given strategy. Marketing cost-based analysis breaks down and classifies costs to determine which are associated with specific marketing efforts. By comparing costs of previous marketing activities with their results, a marketer can better allocate the firm's marketing resources in the future.

**12. Identify and explain the major components of a marketing plan.**

Following are the major components of a marketing plan:

- The first component is the executive summary, which provides an overview of the entire plan so that readers can quickly identify the key issues and their roles in the planning and implementation processes.
- The next component of the marketing plan is the environmental analysis, which supplies information about the company's current situation with respect to the marketing environment, the target market, and the firm's current objectives and performance.
- The next component of the marketing plan is the SWOT analysis (strengths, weaknesses, opportunities, and threats), which utilizes the information gathered in environmental analysis.
- The marketing objectives section of the marketing plan states what the company wants to accomplish through marketing activities, using the SWOT analysis as a guide of where the firm stands in the market.
- The marketing strategies component outlines how the firm plans to achieve its marketing objectives and discusses the company's target market selection(s) and marketing mix.
- The marketing implementation component of the plan outlines how marketing strategies will be executed.
- The performance evaluation establishes the standards for how results will be measured and evaluated, and what actions the company should take to reduce the differences between planned and actual performance.

## ANSWERS TO DEVELOPING YOUR MARKETING PLAN

- 1. Can you identify the core competencies of your company? Do they currently contribute to a competitive advantage? If not, what changes could your company make to establish a competitive advantage?**

Students should identify the core competencies of the company they selected. As an example, Walmart's core competencies include world-class efficiency in supply chain management, an extensive distribution system, and a strong reputation for delivering low prices. Next, students must state whether their identified core competencies contribute to a competitive advantage for their selected company. For the example of Walmart, the answer would be yes.

- 2. Conduct a SWOT analysis of your company to identify its strengths and weaknesses. Continue your analysis to include the business environment, discovering any opportunities that exist or threats that may impact your company.**

In order to answer this question, students are required to provide a SWOT analysis of their selected company. Embedded in this answer, students will be required to clearly identify their company's strengths and weaknesses as well as discussing any opportunities or threats their company may face.

- 3. Using the information from your SWOT analysis, have you identified any opportunities that are a good match with your company's core competencies? Likewise, have you discovered any weaknesses that could be converted to strengths through careful marketing planning?**

Students are required to discuss whether they have identified any opportunities that are a good match for their company's core competencies. Finally, students should explain whether they discovered any weaknesses that could be converted to strengths through careful market planning.

## COMMENTS ON VIDEO CASE 2: MI OLA RIDES THE MARKETING WAVE

### Summary

This case describes how entrepreneur Helen Fogarty saw a market opportunity to develop swimwear designed to look good and fit well on the body. She named her organization Mi Ola (“My Wave”) and targeted its products toward women who are active in water sports and want swimwear that fits well, wears well after washing, and protects the skin. Fogarty promoted her brand through social media such as Facebook, Twitter, Instagram, YouTube, and Pinterest. She also sought out actual surfers and asked them to wear her products as brand ambassadors. On a distribution level, Fogarty sold through traditional retailers and also sold through e-commerce channels. In order to compete with the fast-changing fashion world, Fogarty developed a strict schedule for each step of her marketing plan—from design to distribution and communication—so she could have new products ready at the times that stores usually review new collections and place orders. Her years of experience have provided Fogarty with valuable experience in marketing planning, strategy, and implementation. She constantly updates her products with new fashions and styles and monitors costs, sales results, buying habits, and the competition.

### 1. How would you describe Mi Ola’s strengths, weaknesses, opportunities, and threats?

Mi Ola has several strengths (competitive advantages or core competencies that give it an advantage in meeting the needs of its target market). First, the founder is a surfer and understands first-hand the special swimwear needs of women who surf, her target market. Second, she has extensive experience and contacts in the fashion industry that can be helpful as she seeks to satisfy her target market’s needs. Third, “made in America” sets Mi Ola apart from competing firms and is valued by many in the target market. One weakness is Mi Ola’s lack of brand awareness. Another is the company’s limited financial resources, especially as it works toward new collections and ongoing growth. A third weakness is the founder’s lack of experience in certain areas, such as inventory management, which she is remedying every day by learning from results to fine-tune her decisions. Mi Ola’s main opportunity is that the segment of women who want good-fitting, good-looking, durable swimwear for surfing and other water sports is growing, which increases demand for appropriate products. The main threat is larger, more powerful competitors that may notice the profit opportunity in Mi Ola’s target market and target the same customers. Students may mention other strengths, weaknesses, opportunities, and threats, as well.

### 2. Does Mi Ola have a first-mover or late-mover advantage? Explain your answer.

Mi Ola has a first-mover advantage in that Helena Fogarty identified a target market where her innovative swimwear pioneered the idea of designing products specifically for women who are active in water sports. The firm has had to build awareness and educate retailers and customers alike, because its product is still new. By being a pioneer, Mi Ola has the advantage of setting the standard against which customers will measure future competitors.

### 3. Helena Fogarty talks about being ready to adjust her marketing plan every day. Should she focus more on possible adjustments to strategy, objectives, implementation, or some combination of these three?

Fogarty will need to focus on adjustments to some combination of strategy, objectives, and implementation. Only through experience and seeing how actual results measure up to planned

results will she be able to pinpoint the kinds of changes needed to achieve her strategic goals (such as building a brand for the long term) and objectives (such as selling all the inventory she produces). She may find that her strategy must be adjusted if the strategic window closes. Or she may discover that her strategy and objectives are appropriate, but her implementation must be improved to attract more and more first-time buyers, for example. Because this is a small, fast-growing business, every marketing investment must be carefully weighed against the expected payback, and adjustments must be made quickly when costs or results are out of line with the plan.