

## DEVELOPING SUCCESSFUL MARKETING STRATEGIES

### LEARNING OBJECTIVES

After reading this chapter, students should be able to:

- LO1 Describe two kinds of organization that exist and the three levels of strategy in them.**
- LO2 Describe how core values, mission, organizational culture, business, and goals are important in organizations.**
- LO3 Discuss how an organization assesses where it is now and where it seeks to be.**
- LO4 Explain why managers use marketing dashboards and marketing metrics.**
- LO5 Explain the three steps of the planning phase of the strategic marketing process.**
- LO6 Describe the elements of the implementation and evaluation phases of the strategic marketing process.**

### FOCUSING ON KEY TERMS

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- Figure 2-8 Organization of a typical manufacturing firm, showing a breakdown of the marketing department.

## CHAPTER OPENING EXAMPLE

### CANADIAN TIRE: THE CREATION AND GROWTH OF A VISIONARY ORGANIZATION

- TWO TORONTO BROTHERS, JOHN W. AND ALFRED J. BILLES OPENED A NEW BUSINESS CALLED CANADIAN TIRE CORP'N IN 1922 WITH A COMBINED SAVINGS OF \$1800.
- IN 1927, CANADIAN TIRE CORPORATION, LIMITED IS OFFICIALLY INCORPORATED.
- TODAY, THE COMPANY OPERATES ALMOST 1700 GENERAL MERCHANDISE, SPORTING GOODS, CLOTHING STORES AND GAS STATIONS, IS ALSO A MAJOR FINANCIAL SERVICES PROVIDER.
- THE COMPANY EMPLOYS MORE THAN 70,000 CANADIANS HAS REVENUE OF CLOSE TO \$10 BILLION ANNUALLY.
- CANADIAN TIRE'S CORE BUSINESSES ARE CANADIAN TIRE RETAIL, PARTSOURCE, CANADIAN TIRE FINANCIAL SERVICES, CANADIAN TIRE PETROLEUM AND MARK'S.
- THE COMPANY'S CORE VALUES INCLUDE HONESTY, INTEGRITY, RESPECT AS WELL AS GOOD CORPORATE CITIZENSHIP.
- ITS BASIC MISSION (VISION) IS TO CREATE SUSTAINABLE GROWTH BY BEING A NATIONAL CHAMPION AND CANADA'S MOST TRUSTED COMPANY.
- THE ORGANIZATIONAL DIRECTION OF THE COMPANY IS SET BY A FOCUS ON "CREATING CUSTOMERS FOR LIFE AND SHAREHOLDER VALUE."
- ITS NEW INITIATIVES INCLUDE THE HIGHLY RATED MOBILE APP AS WELL AS NEW STORE FORMAT CALLED THE SMART STORE.
- FINALLY, THE COMPANY ALSO ESTABLISHES VERY SPECIFIC STRATEGIC GOALS EACH YEAR WITH REGARD TO FUTURE GROWTH THUS SETTING A CLEAR DIRECTION FOR THE ORGANIZATION.

# 1. TODAY'S ORGANIZATION

**LO1 Describe two kinds of organization that exist and the three levels of strategy in them.**

**A. KINDS OF ORGANIZATIONS - VERY BROADLY, THERE ARE TWO KINDS OF ORGANIZATIONS:**

- i.** A BUSINESS FIRM IS A PRIVATELY OWNED ORGANIZATION THAT SERVES ITS CUSTOMERS IN ORDER TO EARN A PROFIT. BUSINESS FIRMS MUST EARN A PROFIT TO SURVIVE. **PROFIT** IS THE REWARD TO A BUSINESS FIRM FOR THE RISK IT UNDERTAKES IN OFFERING A PRODUCT FOR SALE: THE MONEY LEFT OVER AFTER A FIRM'S TOTAL EXPENSES ARE SUBTRACTED FROM ITS TOTAL REVENUES.
- ii.** A NON-PROFIT ORGANIZATION IS A NONGOVERNMENTAL ORGANIZATION THAT SERVES ITS CUSTOMERS BUT DOES NOT HAVE PROFIT AS AN ORGANIZATIONAL GOAL. SUCH ORGANIZATIONS INCLUDE MUSEUMS, PRIVATE HOSPITALS, AND RESEARCH INSTITUTES.

ORGANIZATIONS THAT ARE GROUPED TOGETHER FORM AN INDUSTRY, SUCH AS THE COMPUTER INDUSTRY OR THE AUTOMOBILE INDUSTRY

**B. WHAT IS STRATEGY?**

**STRATEGY** IS AN ORGANIZATION'S LONG-TERM COURSE OF ACTION DESIGNED TO DELIVER A UNIQUE CUSTOMER EXPERIENCE WHILE ACHIEVING ITS GOALS.

**C. STRUCTURE OF TODAY'S ORGANIZATIONS**

THERE ARE THREE LEVELS IN LARGE ORGANIZATIONS:

- i.** THE **CORPORATE LEVEL** IS WHERE TOP MANAGEMENT DIRECTS OVERALL STRATEGY FOR THE ENTIRE ORGANIZATION.
- ii.** THE **STRATEGIC BUSINESS UNIT LEVEL** IS THE LEVEL AT WHICH BUSINESS UNIT MANAGERS SET THE DIRECTION FOR THEIR PRODUCTS AND MARKETS. A **BUSINESS UNIT** REFERS TO AN ORGANIZATION (OR A

PART OF AN ORGANIZATION) THAT MARKETS A SET OF RELATED PRODUCTS TO A CLEARLY DEFINED GROUP OF CUSTOMERS.

iii. THE **FUNCTIONAL LEVEL** IS WHERE GROUPS OF SPECIALISTS CREATE VALUE FOR THE ORGANIZATION. OFTEN CALLED “DEPARTMENTS,” EXAMPLES OF THESE FUNCTION UNITS ARE THE FINANCE, HUMAN RESOURCE MANAGEMENT OR RESEARCH AND DEVELOPMENT UNITS. MARKETING WORKS AT EACH OF THESE LEVELS TO HELP THE ORGANIZATION SUCCEED.

iv. **CROSS-FUNCTIONAL TEAMS** - TEAMS FROM DIFFERENT DEPARTMENTS WHO ARE MUTUALLY ACCOUNTABLE TO A COMMON SET OF PERFORMANCE GOALS. SOMETIMES THE TEAMS INCLUDE SUPPLIERS AND CUSTOMERS FOR STRATEGY FORMULATION TO BETTER SERVE CUSTOMER NEEDS.

### **MARKETING MATTERS**

THE NEW ERA OF MARKETING ACCOUNTABILITY AND THE SKILLS EMPLOYERS WANT FROM MARKETERS

- MARKETING MAY BE LOSING ITS STATURE AND INFLUENCE WITHIN ORGANIZATIONS.
- MARKETERS ARE STRUGGLING TO DEMONSTRATE ACCOUNTABILITY THROUGH LINKING MARKETING ACTIVITIES AND STRATEGIES TO ORGANIZATIONAL OUTCOMES.
- MARKETING STUDENTS ARE ENTERING THE WORKFORCE ILL-PREPARED.
- KEY CAPABILITIES NEEDED FOR MARKETING ACCOUNTABILITY INCLUDE FINANCIAL AWARENESS, CROSS-FUNCTIONAL COLLABORATION, DATA ANALYTICS, DECISIONS INFLUENCE THROUGH MARKET KNOWLEDGE AND RETURN ON INVESTMENT (ROI) ASSESSMENT

## LEARNING REVIEW

**1. WHAT IS STRATEGY?**

ANSWER: STRATEGY IS AN ORGANIZATION'S LONG-TERM COURSE OF ACTION DESIGNED TO DELIVER A UNIQUE CUSTOMER EXPERIENCE WHILE ACHIEVING ITS GOALS

**2. WHAT IS MARKETING ACCOUNTABILITY?**

ANSWER: MARKETING ACCOUNTABILITY IS MARKETING PRACTICE THAT LINKS MARKETING ACTIVITIES AND STRATEGIES TO ORGANIZATIONAL OUTCOMES. IT REQUIRES CAPABILITIES INCLUDING FINANCIAL AWARENESS, DATA ANALYTICS, DECISION INFLUENCE THROUGH MARKET KNOWLEDGE AND RETURN ON INVESTMENT (ROI) ASSESSMENT.

**3. WHAT ARE EXAMPLES OF A FUNCTIONAL LEVEL IN AN ORGANIZATION?**

ANSWER: EXAMPLES COULD INCLUDE LAWYERS, ACCOUNTANTS, ADVERTISING AND SALES.

### 3. STRATEGY IN VISIONARY ORGANIZATION

**LO2 Describe how core values, mission, organizational culture, business, and goals are important in organizations.**

MANAGEMENT EXPERTS STRESS THAT TO BE SUCCESSFUL, TODAY'S ORGANIZATIONS MUST BE FORWARD LOOKING. THEY MUST BOTH ANTICIPATE FUTURE EVENTS AND RESPOND QUICKLY AND EFFECTIVELY. THIS REQUIRES A VISIONARY ORGANIZATION TO SPECIFY IT'S FOUNDATION (WHY DOES IT EXIST?), SET A DIRECTION (WHAT WILL IT DO?), AND FORMULATE STRATEGIES (HOW WILL IT DO IT?)

**A. ORGANIZATIONAL FOUNDATION: WHY DOES IT EXIST?**

- i. **CORE VALUES.** PRINCIPLES THAT GUIDE ORGANIZATION'S CONDUCT OVERTIME.
- ii. **MISSION.** STATEMENT THAT DEFINES ORGANIZATIONAL SCOPE, CUSTOMERS, MARKETS, PRODUCTS, AND TECHNOLOGY. INTERCHANGEABLY CALLED VISION. .
- iii. **ORGANIZATIONAL CULTURE:** CORPORATIONS MUST CONNECT CUSTOMERS AND STAKEHOLDER ON INTERNAL AND EXTERNAL BASES. **STAKEHOLDERS,** INDIVIDUALS OR GROUPS EITHER WITHIN OR OUTSIDE AN ORGANIZATION THAT RELATE TO IT IN TERMS OF WHAT IT DOES AND

HOW WELL IT PERFORMS. **ORGANIZATIONAL CULTURE**, A SET OF VALUES, IDEAS, AND ATTITUDES THAT IS LEARNED AND SHARED AMONG THE MEMBERS OF AN ORGANIZATION.

**B. ORGANIZATIONAL DIRECTION:WHAT WILL IT DO?**

**i. BUSINESS**

A **BUSINESS** DESCRIBES THE CLEAR, BROAD, UNDERLYING INDUSTRY OR MARKET SECTOR OF AN ORGANIZATION'S OFFERING.

A **BUSINESS MODEL** OUTLINES THE STRATEGIES THAT AN ORGANIZATION DEVELOPS TO PROVIDE VALUE TO THE CUSTOMERS IT SERVES.

**ii. GOALS OR OBJECTIVES**

**a.** A GOAL (OBJECTIVE) IS A TARGETED LEVEL OF ACHIEVEMENT IN ADVANCE OF WORK. USEFUL CRITERIA FOR WRITING EFFECTIVE GOALS ARE GIVEN BY THE ACRONYM SMART:

**SPECIFIC**: A PRECISE DESCRIPTION OF WHAT IS TO BE ACHIEVED

**MEASURABLE**: A QUANTITATIVE VALUE TO SHOW ATTAINMENT

**ATTAINABLE**: ACHIEVABLE, BUT CHALLENGING

**RELEVANT**: PERTINENT TO THE ORGANIZATION'S MISSION

**TIME-BASED**: HAVE A DEADLINE FOR COMPLETION

**b.** IN ADDITION TO PROFIT, SEVERAL OTHER GOALS HAVE BEEN IDENTIFIED THAT FIRMS MAY PURSUE. THESE INCLUDE SALES REVENUES, MARKET SHARE, UNIT SALES, QUALITY, EMPLOYEE WELFARE, CUSTOMER SATISFACTION, AND SOCIAL RESPONSIBILITY. **MARKET SHARE** IS THE RATIO OF SALES REVENUE OF THE FIRM TO THE TOTAL SALES REVENUE OF ALL FIRMS IN THE INDUSTRY, INCLUDING THE FIRM ITSELF.

NON-PROFIT ORGANIZATIONS' GOALS DO NOT REVOLVE AROUND PROFITS. NON-PROFIT ORGANIZATIONS LIKE MUSEUMS AND ORCHESTRAS STRIVE TO PROVIDE GOODS AND SERVICES TO BENEFICIARIES.

GOVERNMENT AGENCIES HAVE "SERVING THE PUBLIC" AS THEIR PRIMARY GOAL, BUT THEY DO NOT TECHNICALLY FALL UNDER THE DEFINITION OF "NON-PROFIT ORGANIZATION."

### **MARKETING RESPONSIBLE DECISIONS**

#### **THE GLOBAL DILEMMA: HOW TO ACHIEVE SUSTAINABLE DEVELOPMENT**

- "SUSTAINABLE DEVELOPMENT" ACCORDINGLY TO THE U.N. INVOLVES MEETING PRESENT NEEDS 'WITHOUT COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO MEET THEIR OWN NEEDS'
- FOR EXAMPLE, WITH MORE THAN A THIRD OF THE HOUSEHOLDS OF MANY OF EASTERN EUROPE OF THE FORMER SOVIET UNION LIVING BELOW THE POVERTY LINE, SHOULD THE IMMEDIATE GOAL BE A CLEANER ENVIRONMENT OR MORE FOOD, CLOTHING, HOUSING, AND CONSUMER GOODS?
- AT COMPANY LEVEL, 3M FOR EXAMPLE DEVELOPED POLLUTION PREVENTION PAYS (3P) TO REDUCE HARMFUL ENVIRONMENTAL IMPACTS, MAKING A PROFIT DOING SO.
- WHAT SHOULD BE DONE? SHOULD THE ENVIRONMENT OR ECONOMIC GROWTH COME FIRST? WHAT ARE THE SOCIETAL TRADE-OFFS? WILL FIRMS ADOPT A 3P KIND OF PROGRAM?

#### **C. ORGANIZATIONAL STRATEGIES: HOW WILL IT DO IT?**

##### **i. VARIATION BY LEVEL**

MOVING FROM THE CORPORATE TO THE STRATEGIC BUSINESS UNIT TO THE FUNCTIONAL LEVEL INVOLVES CREATING INCREASINGLY DETAILED STRATEGIES AND PLANS.

##### **ii. VARIATION BY OFFERING**

ORGANIZATIONAL STRATEGIES ALSO VARY BY THE ORGANIZATION'S OFFERING. THE STRATEGY WILL BE FAR DIFFERENT WHEN MARKETING A VERY TANGIBLE PHYSICAL PRODUCT (A HEART PACEMAKER), A SERVICE (A WESTJET FLIGHT), AN IDEA (DONATE TO THE CANADIAN RED CROSS).

### **LEARNING REVIEW**



4. **WHAT IS THE MEANING OF AN ORGANIZATIONAL MISSION?**  
ANSWER: IS A STATEMENT OF THE ORGANIZATION'S FUNCTION IN SOCIETY, OFTEN IDENTIFYING ITS CUSTOMERS, MARKETS PRODUCTS, AND TECHNOLOGIES.
5. **WHAT IS THE DIFFERENCE BETWEEN AND ORGANIZATIONS' "BUSINESS" AND ITS GOALS?**  
ANSWER: A BUSINESS IS THE CLEAR, BROAD, UNDERLYING INDUSTRY OR MARKET SECTOR OF AN ORGANIZATION'S OFFERING. GOALS ARE STATEMENTS OF AN ACCOMPLISHMENT OF A TASK TO BE ACHIEVED, OFTEN BY A SPECIFIC TIME.

## 4. SETTING STRATEGIC DIRECTIONS

**LO3 Discuss how an organization sets strategic directions and tracks performance by using marketing dashboards and metrics.**

### A. A LOOK AROUND: WHERE ARE WE NOW?

i. **COMPETENCIES.** AN ORGANIZATION'S SPECIAL CAPABILITIES, INCLUDING SKILLS, TECHNOLOGIES, AND RECOURSES, THAT DISTINGUISH IT FROM OTHER ORGANIZATIONS. **COMPETITIVE ADVANTAGE.** A UNIQUE STRENGTH RELATIVE TO COMPETITORS, OFTEN BASED ON QUALITY, TIME, COST, INNOVATION, CUSTOMER INTIMACY OR CUSTOMER EXPERIENCE MANAGEMENT.

. **QUALITY,** AS USED HERE, MEANS THOSE FEATURES AND CHARACTERISTICS OF A PRODUCT THAT INFLUENCE ITS ABILITY TO SATISFY CUSTOMER NEEDS MANY FIRMS TRY TO IMPROVE THEIR QUALITY THROUGH **BENCHMARKING,** DISCOVERING HOW OTHERS DO SOMETHING BETTER THAN YOUR OWN FIRM SO YOU CAN IMITATE OR LEAPFROG COMPETITION.

ii. **CUSTOMERS.** KNOW WHO THE CUSTOMERS AND PROSPECTIVE CUSTOMERS OF THE ORGANIZATIONS ARE, WHAT THEY WANT AND WHERE AND HOW THEY WANT VALUE DELIVERED. STAY CLOSE TO THE CUSTOMER.

iii. **COMPETITORS.** ORGANIZATIONS MUST STUDY WHO THE COMPETITORS ARE, AND HOW THEY ARE CHANGING.

**B. GROWTH STRATEGIES: WHERE DO WE WANT TO GO?**

TWO TECHNIQUES AID MANAGERS IN SETTING DIRECTION. THEY ARE PORTFOLIO ANALYSIS AND MARKET-PRODUCT ANALYSIS.

i. **BUSINESS PORTFOLIO ANALYSIS**

THE BOSTON CONSULTING GROUP'S (BCG) GROWTH-SHARE MATRIX IS AN EXAMPLE OF A TECHNIQUE THAT IS USEFUL IN HELPING MARKETING EXECUTIVES MAKE RESOURCE ALLOCATION DECISIONS. THIS TECHNIQUE BREAKS A LARGE FIRM INTO A NUMBER OF DECENTRALIZED PROFIT CENTRES — CALLED **STRATEGIC BUSINESS UNITS** (SBU's) — IN ORDER TO SIMPLIFY THE RESOURCE ALLOCATION PROCESS.

**BUSINESS PORTFOLIO ANALYSIS.** THE SBUs ARE POSITIONED ON A GROWTH-SHARE MATRIX.

a. THE VERTICAL AXIS IS THE MARKET GROWTH RATE — THE ANNUAL RATE OF GROWTH OF THE SPECIFIC MARKET OR INDUSTRY IN WHICH A GIVEN SBU IS COMPETING.

b. THE HORIZONTAL AXIS IS THE RELATIVE MARKET SHARE — THE SALES OF THE SBU DIVIDED BY THE SALES OF THE LARGEST COMPETITOR IN THE INDUSTRY.

FOUR RESULTING QUADRANTS:

1. **CASH COWS** (LOWER LEFT) - DOMINANT SHARE OF SLOW-GROWTH MARKET ENABLES SBU TO GENERATE LARGE AMOUNTS OF CASH TO BE USED FOR COMPANY OVERHEAD AND INVESTMENT IN OTHER SBUs.

2. **STARS** (UPPER LEFT) - HIGH SHARE OF HIGH GROWTH MARKET. MAY NOT GENERATE ENOUGH CASH TO SUPPORT THEIR OWN DEMANDING NEEDS.

3. **QUESTION MARKS OR PROBLEM CHILDREN** (UPPER RIGHT)

- SBU WITH LOW SHARE OF HIGH GROWTH MARKET. REQUIRE A LOT OF CASH TO MAINTAIN MARKET SHARE, AND MANAGEMENT MUST DECIDE WHETHER INVESTING RESOURCES IN THIS SBU IS JUSTIFIED.

4. **DOGS** (LOWER RIGHT) - SBU WITH A LOW SHARE OF A LOW-GROWTH MARKET. DO NOT HOLD PROMISE OF BECOMING WINNERS FOR THE FIRM.

USED IN MARKETING PLANNING: AFTER BUSINESS PORTFOLIO ANALYSIS IS COMPLETE, THE FIRM MUST IDENTIFY THE OBJECTIVES FOR EACH SBU. THE BOSTON CONSULTING GROUP HAS IDENTIFIED FOUR ALTERNATIVES, WHICH ARE RANKED FROM MOST TO LEAST IN TERMS OF CASH INFUSED:

- a. **BUILD**– INCREASE MARKET SHARE THROUGH CASH INJECTION. MAKE STARS OUT OF QUESTION MARKS.
- b. **HOLD**– MAINTAIN MARKET SHARE. OFTEN USED FOR CASH COWS WHICH ARE ALREADY GENERATING LARGE AMOUNTS OF CASH, AND ARE FAIRLY STABLE.
- c. **HARVEST**– INCREASE SHORT-TERM CASH OUTPUT OF THE SBU, EVEN IF THIS RESULTS IN A LOSS OF MARKET SHARE. PUMP CASH FROM DOGS OR CASH COWS INTO STARS OR QUESTION MARKS.
- d. **DIVEST**– SELL THE SBU. THIS GENERATES CASH FOR MORE PROMISING SBUs. QUESTION MARKS AND DOGS ARE IDEAL CANDIDATES TO DIVEST.

STRENGTHS OF BUSINESS PORTFOLIO ANALYSIS:

- a. FORCES FIRM TO ASSESS EACH OF ITS SBUs IN TERMS OF RELATIVE MARKET SHARE AND INDUSTRY MARKET GROWTH RATE.
- b. REQUIRES FIRM TO FORECAST WHICH SBUs WILL BE CASH PRODUCERS AND WHICH WILL BE CASH NEEDERS.

WEAKNESSES OF BUSINESS PORTFOLIO ANALYSIS:

- a. HARD TO GET THE INFORMATION THAT IS NEEDED TO LOCATE SBU IN GROWTH-SHARE MATRIX.
- b. OTHER IMPORTANT FACTORS ARE MISSING FROM THIS ANALYSIS SUCH AS POSSIBLE SYNERGIES AMONG THE SBUs WHEN THEY USE THE SAME SALES FORCE OR RESEARCH AND DEVELOPMENT

ii. **MARKET-PRODUCT ANALYSIS**

**IN MARKET-PRODUCT ANALYSIS OPPORTUNITIES ARE VIEWED IN TERMS OF MARKET AND PRODUCT:**

- a. **EACH PRODUCT HAS CURRENT MARKET (EXISTING CUSTOMERS) AND NEW MARKET (POTENTIAL CUSTOMERS)**
- b. **FOR ANY MARKET THERE IS CURRENT PRODUCT (WHAT THEY CURRENTLY USE) AND NEW PRODUCT (SOMETHING THEY MIGHT USE IF IT WERE DEVELOPED).**

**THE ANALYSIS SUGGESTS FOUR ALTERNATE STRATEGIES;**

**MARKET PENETRATION** IS INCREASING SALES OF PRESENT PRODUCTS IN THEIR EXISTING MARKETS. THERE IS NO CHANGE IN THE PRODUCT LINE, BUT INCREASED SALES TO PRESENT MARKETS ARE POSSIBLE THROUGH ACTIONS LIKE BETTER ADVERTISING, MORE RETAIL OUTLETS, OR LOWER PRICES.

**MARKET DEVELOPMENT**, THERE IS NO CHANGE IN THE PRODUCT ITSELF BUT DISTRIBUTION IS EXPANDED THROUGH REACHING NEW TARGET MARKETS SUCH AS FOREIGN COUNTRIES. **PRODUCT DEVELOPMENT** INVOLVES SELLING A NEW PRODUCT TO EXISTING MARKETS. THERE IS A CHANGE IN THE PRODUCT ITSELF BUT IT IS SOLD TO EXISTING MARKETS.

**DIVERSIFICATION** INVOLVES DEVELOPING NEW PRODUCTS AND SELLING THEM IN NEW MARKETS. THIS IS A POTENTIALLY HIGH-RISK STRATEGY BECAUSE NEW ACTIONS ARE REQUIRED FOR BOTH MARKETS AND

PRODUCTS. RELATED DIVERSIFICATION IS WHEN THE NEW PRODUCT HAS SOMETHING IN COMMON WITH THE EXISTING LINE. IN UNRELATED DIVERSIFICATION THE NEW AND EXISTING LINES HAVE LITTLE IN COMMON.

## **MARKETING MATTERS**

### **GROWING BY USING MULTIPLE MARKET-PRODUCT STRATEGIES**

- MOST FIRMS EMPLOY MULTIPLE GROWTH PATHS
- SINGLE STRATEGIES MAY EVENTUALLY LEAD TO STALLED GROWTH
- STRATUS VINEYARDS USES MARKET PENETRATION IN CANADA, MARKET DEVELOPMENT IN THE U.S., AND PRODUCT DEVELOPMENT (SUCH AS ICE WINES).
- ONE OF THE REASONS WHY FIRMS DO NOT OR CANNOT RELY ON A SINGLE GROWTH PATH OR ONE MARKET-PRODUCT STRATEGY IS BECAUSE THAT SINGLE STRATEGY MAY, EVENTUALLY, LEAD TO STALLED GROWTH.
- HEINZ CANADA, FOR INSTANCE, HAS 90 PERCENT SHARE OF THE JARRED BABY FOOD MARKET IN CANADA AND CANNOT COST-EFFECTIVELY INCREASE ITS MARKET PENETRATION. THEREFORE, THE COMPANY FOCUSES ON MAINTAINING THIS PENETRATION WHILE DEVELOPING NEW PRODUCTS AND NEW MARKETS.

### **C. TRACKING STRATEGIC PERFORMANCE WITH MARKETING DASHBOARDS AND METRICS**

ALTHOUGH MARKETING MANAGERS CAN SET STRATEGIC DIRECTIONS FOR THEIR ORGANIZATIONS, HOW DO THEY KNOW IF THEY ARE MAKING PROGRESS IN GETTING THERE? ONE ANSWER IS TO MEASURE PERFORMANCE BY USING MARKETING DASHBOARDS AND METRICS.

#### **i. CAR DASHBOARD AND MARKETING DASHBOARDS**

A **MARKETING DASHBOARD** IS THE VISUAL COMPUTER DISPLAY OF THE ESSENTIAL INFORMATION RELATED TO ACHIEVING A MARKETING OBJECTIVE.

ii. **DASHBOARDS, METRICS AND PLANS**

PERFORMANCE VARIABLES ARE CONSIDERED **MARKETING METRICS**, MEASURES OF THE QUANTITATIVE VALUE OR TREND OF A MARKETING ACTIVITY OR RESULT.

**USING MARKETING DASHBOARDS**

**WHICH PROVINCES ARE UNDERPERFORMING?**

**THREE YEARS AGO YOU STARTED A BUSINESS TO SELL A SNACK USING TOP SECRET INGREDIENTS THAT BOOST IQ AND STRENGTH.**

**CHALLENGE**

YOU WANT TO GROW SALES AT 10% ANNUALLY. STUDYING SALES IN ALL 10 PROVINCES WOULD WORK, BUT TIME CONSUMING. YOU CHOSE ANNUAL SALES AS YOUR METRIC.

**FINDINGS**

AT A GLANCE YOU SEE THAT SALES GROWTH IN ATLANTIC CANADA AND ALBERTA IS WEAKER THAN THE 10 PERCENT TARGET, AND SALES ARE DECLINING IN OTHER PROVINCES, TOO.

**ACTION**

- MARKETING IS OFTEN ABOUT GRAPPLING WITH SALES SHORTFALLS. YOU'LL NEED TO START BY TRYING TO IDENTIFY AND CORRECT THE PROBLEMS IN THE PROVINCES THAT ARE UNDERPERFORMING – IN THIS CASE, ATLANTIC CANADA AND ALBERTA.
- YOU'LL WANT TO DO THE MARKETING RESEARCH TO SEE IF THE PROBLEM STARTS WITH (1) AN EXTERNAL FACTOR LIKE CHANGING CONSUMER TASTES OR (2) AN INTERNAL FACTOR LIKE A BREAKDOWN IN YOUR DISTRIBUTION SYSTEM.

## LEARNING REVIEW

**6. WHAT IS BUSINESS PORTFOLIO ANALYSIS?**

ANSWER: BUSINESS PORTFOLIO ANALYSIS STUDIES A FIRM'S BUSINESS UNITS AS THOUGH THEY WERE A COLLECTION OF SEPARATE INVESTMENTS. IT IS A TOOL TO DETERMINE THE APPEAL OF EACH BUSINESS UNIT OR OFFERING AND THEN DETERMINE THE AMOUNT OF INVESTMENT EACH SHOULD RECEIVE.

**7. WHAT ARE THE FOUR MARKET-PRODUCT STRATEGIES?**

ANSWER: MARKET PENETRATION, PRODUCT DEVELOPMENT, MARKET DEVELOPMENT, DIVERSIFICATION

**8. WHAT IS A MARKETING DASHBOARD?**

ANSWER: IS THE VISUAL COMPUTER DISPLAY OF THE ESSENTIAL INFORMATION RELATED TO ACHIEVING A MARKETING OBJECTIVE.

## 5. THE STRATEGIC MARKETING PROCESS

### LO4 Explain the three steps of the planning phase of the strategic marketing process.

AFTER THE ORGANIZATION ASSESSES WHERE IT IS AT AND WHERE IT WANTS TO GO, OTHER QUESTIONS EMERGE:

- HOW DO WE ALLOCATE OUR RESOURCES TO GET WHERE WE WANT TO GO?
- HOW DO WE CONVERT OUR PLAN TO ACTIONS?
- HOW DO OUR RESULTS COMPARE WITH OUR PLANS, AND DO DEVIATIONS REQUIRE NEW PLANS?

#### A. STRATEGIC MARKETING PROCESS: THE PLANNING PHASE

THE STRATEGIC MARKETING PROCESS INVOLVES AN ORGANIZATION ALLOCATING ITS MARKETING MIX RESOURCES TO REACH ITS TARGET MARKETS. THIS PROCESS IS DIVIDED INTO THREE PHASES: PLANNING, IMPLEMENTATION, AND CONTROL.

THE STRATEGIC MARKETING PROCESS IS USUALLY FORMALIZED IN A **MARKETING PLAN**, WHICH IS A ROAD MAP FOR THE MARKETING ACTIVITIES OF AN ORGANIZATION FOR A SPECIFIED FUTURE PERIOD OF TIME, SUCH AS ONE YEAR OR FIVE YEARS.

#### i. STEP 1: SITUATION (SWOT) ANALYSIS

- a. THE **SITUATION ANALYSIS** INVOLVES TAKING STOCK OF WHERE THE FIRM OR PRODUCT HAS BEEN RECENTLY, WHERE IT IS NOW, AND WHERE IT IS HEADED IN LIGHT OF THE ORGANIZATION'S PLANS AND THE EXTERNAL FACTORS AND TRENDS AFFECTING IT.
- b. REALLY A SHORT-HAND SUMMARY OF THE SITUATION ANALYSIS, **SWOT ANALYSIS** IS AN ACRONYM DESCRIBING AN ORGANIZATION'S APPRAISAL OF ITS INTERNAL STRENGTHS AND WEAKNESSES AND ITS EXTERNAL OPPORTUNITIES AND THREATS.
- c. HAVING COMPLETED ITS SWOT ANALYSIS, AN ORGANIZATION OFTEN THEN CONSIDERS FOUR ALTERNATIVE MARKET-PRODUCT STRATEGIES: BUILD ON A STRENGTH, CORRECT A WEAKNESS, EXPLOIT AN OPPORTUNITY, AND AVOID A DISASTER LADEN THREAT. A SWOT ANALYSIS PROVIDES THE FOUNDATION FOR A MARKETING PROGRAM: IDENTIFYING INDUSTRY TRENDS, ANALYZING COMPETITION, AND ASSESSING ITS OWN FIRM.

**GOING ONLINE  
BEN & JERRY'S FLAVOURS**

- BEN & JERRY'S MARKETS FLAVOURS OF ICE CREAM, FROZEN YOGHURT, SORBET AND NOVELTY BARS. SOLD TO UNILEVER IN 2000
- TEAMED UP WITH "DAVE MATHEWS BAND" AND <SAVEOURENVIRONMENT.ORG> TO FIGHT GLOBAL WARMING BY CREATING "ONE SWEET WHIRLED' ICE CREAM.
- TO SEE CURRENT AND 'DEARLY DEPARTED FLAVOURS', VISIT [WWW.BENJERRY.COM](http://WWW.BENJERRY.COM)

**ii. STEP 2: MARKET-PRODUCT FOCUS AND GOAL SETTING.**

AN EFFECTIVE MARKETING PLAN REQUIRES A FOCUS — A SPECIFIC GROUP OF TARGET MARKET CUSTOMERS TOWARD WHICH IT IS DIRECTED. THIS REQUIRES:



- a. SEGMENTING THE MARKET. **MARKET SEGMENTATION** INVOLVES AGGREGATING PROSPECTIVE BUYERS INTO GROUPS, OR SEGMENTS, OR PROSPECTIVE BUYERS THAT (1) HAVE COMMON NEEDS AND (2) WILL RESPOND SIMILARLY TO A MARKETING ACTION. UNDERSTANDING THE CUSTOMER IS ESSENTIAL.
- b. GOAL SETTING. INVOLVES SETTING MEASURABLE MARKETING OBJECTIVES. IT CAN BE INTRODUCING A NEW PRODUCT.
- c. SELECTING THE **TARGET MARKETS** — HAVING EXAMINED SEVERAL ALTERNATIVE MARKETING OPPORTUNITIES, THE ORGANIZATION MUST SELECT THE ONE OR MORE TARGET MARKETS FOR WHICH IT WILL DEVELOP ITS MARKETING PROGRAM. AN IMPORTANT STRATEGIC ISSUE FOR FIRMS TO USE IN SELECTING TARGET MARKETS IS TO BALANCE THE INCREASED EXPENSES AGAINST INCREASED REVENUES.
- d. FINDING **POINTS OF DIFFERENCE** FOR THE PRODUCT, THOSE CHARACTERISTICS OF A PRODUCT THAT MAKE IT SUPERIOR TO COMPETITIVE SUBSTITUTES.
  - e. **POSITIONING** – PLACING THE PRODUCT ON THE MINDS ON THE TARGET MARKET AS A UNIQUE PRODUCT BASED ON IDENTIFIED POINTS OF DIFFERENCE.

**LO5 Explain the three steps of the planning phase of the strategic marketing process.**

**iii. STEP 3: MARKETING PROGRAM.**

SELECTING THE TARGET MARKETS TELLS THE MARKETING MANAGER WHICH CONSUMERS TO FOCUS ON AND WHAT NEEDS TO TRY TO SATISFY.

STEP THREE (THE HOW ASPECT) INVOLVES:

- a. DEVELOPING THE MARKETING MIX - THIS CONSISTS OF STRATEGIES FOR PRODUCT, PRICE, PROMOTION, AND PLACE.

- b. DEVELOPING THE BUDGET - THE BUDGET IS TO ENSURE THAT REVENUES WILL EXCEED EXPENSES AND RESULT IN A PROFIT.

#### LEARNING REVIEW

9. **WHAT IS THE DIFFERENCE BETWEEN A STRENGTH AND AN OPPORTUNITY IN A SWOT ANALYSIS?**  
ANSWER: BOTH ARE POSITIVE FACTORS FOR THE ORGANIZATION, BUT A STRENGTH IS AN INTERNAL FACTOR WHILE AN OPPORTUNITY IS AN EXTERNAL ONE.
10. **WHAT IS MARKET SEGMENTATION?**  
ANSWER: THIS INVOLVES AGGREGATING PROSPECTIVE BUYERS INTO GROUPS, OR SEGMENTS, THAT (1) HAVE COMMON NEEDS AND (2) WILL RESPOND SIMILARLY TO A MARKETING ACTION.
11. **WHAT ARE POINTS OF DIFFERENCE, AND WHY ARE THEY IMPORTANT?**  
ANSWER: THEY ARE THE CHARACTERISTICS OF PRODUCTS THAT MAKE IT SUPERIOR TO COMPETITIVE OFFERINGS

**LO6 Describe the elements of the implementation and evaluation phases of the strategic marketing process.**

**B. STRATEGIC MARKETING PROCESS: THE IMPLEMENTATION PHASE**

THE IMPLEMENTATION PHASE OF THE STRATEGIC MARKETING PROCESS INVOLVES EXECUTING THE MARKETING PLAN AND PUTTING IT INTO EFFECT. THIS INVOLVES THE STEPS SHOWN BELOW:

- i. **OBTAINING RESOURCES.**EXECUTING THE MARKETING PLAN REQUIRES THAT THE RESPONSIBLE MARKETING MANAGER OBTAIN THE PEOPLE AND MONEY NECESSARY TO SUCCEED.
- ii. **DESIGNING THE MARKETING ORGANIZATION.**TO EXECUTE A MARKETING PROGRAM EFFECTIVELY, A MARKETING ORGANIZATION MUST BE DEVELOPED. THE RESPONSIBILITIES OF EACH INDIVIDUAL WITHIN THE MARKETING ORGANIZATION NEED TO BE SPECIFIED, ALONG WITH THE ROLE THEY WILL PLAY IN THE STRATEGIC MARKETING PROCESS WHILE STRIVING TO REACH THEIR MARKETING GOALS.

- iii. **DEVELOPING SCHEDULES.**“MAKING SOMETHING HAPPEN” FOR A MARKETING PLAN REQUIRES SCHEDULING IMPORTANT MILESTONES AND MEETING THEM.
- iv. **EXECUTING THE MARKETING PROGRAM.** EFFECTIVE EXECUTION REQUIRES ATTENTION TO DETAIL FOR BOTH MARKETING STRATEGIES AND MARKETING TACTICS.
  - a. A **MARKETING STRATEGY** IS THE MEANS BY WHICH A GOAL IS TO BE ACHIEVED, CHARACTERIZED BY (1) A SPECIFIC TARGET MARKET, AND (2) A MARKETING PROGRAM TO REACH IT.
  - b. **MARKETING TACTICS** ARE DETAILED DAY-TO-DAY OPERATIONAL DECISIONS ESSENTIAL TO THE OVERALL SUCCESS OF MARKETING STRATEGIES. EXAMPLES OF MARKETING STRATEGIES AND TACTICS FOR EASTMAN KODAK APPEAR IN THE TEXTBOOK.

**C. STRATEGIC MARKETING PROCESS: THE EVALUATION PHASE**

THE EVALUATION PHASE OF THE STRATEGIC MARKETING PROCESS SEEKS TO KEEP THE MARKETING PROGRAM MOVING IN THE DIRECTION SET FOR IT. IT HAS TWO KEY ELEMENTS.

- i. **COMPARING RESULTS WITH PLANS TO IDENTIFY DEVIATIONS.**

TO KEEP THE MARKETING PROGRAM MOVING FORWARD, MARKETING MANAGERS MEASURE THE RESULTS OF THE MARKETING PROGRAM AND COMPARE THESE WITH PLANS TO IDENTIFY DEVIATIONS FROM THE PLAN. THIS ACTIVITY OFTEN IDENTIFIES A “PLANNING GAP” — THE DIFFERENCE BETWEEN THE PROJECTION OF THE PATH TO REACH A NEW GOAL AND THE PROJECTION OF THE PATH OF THE RESULTS OF A PLAN ALREADY IN PLACE.
- ii. **ACTING ON DEVIATIONS.** THE EVALUATION MAY SHOW ACTUAL PERFORMANCE TO BE DIFFERENT FROM THAT EXPECTED.

- a. **CORRECTING A NEGATIVE DEVIATION**, A CORRECTIVE ACTION IS USUALLY NEEDED TO ADJUST AND IMPROVE THE PROGRAM AND HELP IT ACHIEVE THE PLANNED OBJECTIVES.
- b. **EXPLOITING A POSITIVE DEVIATION**, THE MARKETING MANAGER WILL ATTEMPT TO UNCOVER THE REASON FOR THE GOOD PERFORMANCE AND ACT TO EXPLOIT IT.

#### **LEARNING REVIEW**

- 12. **WHAT IS THE IMPLEMENTATION PHASE OF THE STRATEGIC MARKETING PROCESS?**  
ANSWER: THE IMPLEMENTATION PHASE INVOLVES CARRYING OUT OF THE MARKETING PLAN THAT WAS SET IN THE PLANNING STAGE.
- 13. **HOW DO THE GOALS SET FOR A MARKETING PROGRAM IN THE PLANNING PHASE RELATE TO THE EVALUATION PHASE OF THE STRATEGIC MARKETING PROCESS?**  
ANSWER: THE PLANNING PHASE GOALS ARE USED AS THE BENCHMARK WITH WHICH THE ACTUAL PERFORMANCE RESULTS ARE COMPARED IN THE CONTROL PHASE.

## APPLYING MARKETING KNOWLEDGE QUESTIONS WITH ANSWERS

1. (a) Explain what a mission statement is. (b) Explain how it gives a strategic direction to its organization. (c) Create a vision statement for your own career.

Answer:

- a. A mission statement is a brief but inspirational sentence that describes a desirable future state for the overall organization. It should be easily remembered and should provide meaningful direction.
- b. This provides a general strategic direction by giving a broad sense of the products to be provided. It is also inspirational because every customer is seen as being unique.
- c. An example of a vision statement for a student's career might be:  
  
"to be recognized as an outstanding, environmentally responsible, global marketing executive."

2. What competencies best describe (a) your college or university, (b) your favourite restaurant, and (c) the company that manufactures the computer you own or use most often?

Answer: Some organizational or business unit competencies for each of these organizations might be:

- a. Your college or university (note these vary along a continuum from research universities to community colleges): a world-class research expertise in...say...biotechnology; student-oriented faculty; or flexible course scheduling to accommodate the special needs of part-time and working students.
- b. Your favourite restaurant: genuine French cuisine; or a family menu at reasonable prices.
- c. The company that manufactures the computer you own or use most often: 24-hour, 800 number help line; or capability of new computer models to run all software designed for older models.

3. Assume you were starting a new business. In terms of competition, how would you differentiate your business from your competition?

Answer: As a start-up company you will need to find 'point of difference'. For example, many start-up companies introduce newer features not offered by competitors.

4. Why does a product often start as a question mark and then move counter clockwise around BCG's growth-share matrix shown in Figure 2-3?

Answer: Two General Mills products, Bisquick and Wheaties, illustrate how products might move on the BCG growth-share matrix. Both products have been around for more than 50 years. When they both started, they were question marks because they were innovative products, and there was uncertainty about consumers' acceptance of them. In the 1950s both Bisquick and Wheaties could

probably be classified as stars because the growth rate of both product categories was very sizeable and these two brands had significant shares of the product categories. Now in the new millennium, the growth rate in both product categories has fallen substantially and there is great competition among competing brands for both Bisquick and Wheaties so they probably fall in the cash cow category. Through judicious marketing General Mills has managed to keep both products as cash cows for more than two decades. While Wheaties has certainly lost market share to a number of new breakfast cereals and Bisquick has also lost some market share to regional competitors, both brands are moving to the right on the horizontal axis shown in Figure 2-3 but don't fall into the "dog" category yet.

5. Many Canadian universities have traditionally offered an undergraduate degree in liberal arts (the product) to full-time 18- to 22- year-old students (the market). How might such an institution use the four market-product expansion strategies shown in Figure 2-4 to compete in the twenty-first century?

Answer:

- a. Market penetration. Obtaining a greater share of the full-time 18 to 22-year-old students in the geographic area served by the college.
  - b. Product development. Offering new courses at either the undergraduate or Master's degree level in areas such as business, computers, or law.
  - c. Market development. Offering existing liberal arts courses to new markets in the form of correspondence courses, part-time courses for evening students, summer courses, residential courses at local firms, or courses for senior citizens.
  - d. Diversification. Offering new courses such as those in business or computers to new markets such as those taught within local companies for their employees.
6. What is the main result of each of the three phases of the strategic marketing process? (a) planning, (b) implementation, and (c) evaluation?

Answer:

In terms of the strategic marketing process:

- a. The planning phase results are formal marketing plans that identify specific objectives to be achieved by a particular time and the specific actions to achieve those objectives.
- b. The implementation phase results are formal measurements of the results achieved, which can be compared with the plans established in the planning phase to determine if any deviations from plans occurred.
- c. The evaluation phase results are new actions taken to exploit opportunities where deviations from plans are better than expected or corrective actions where deviations from plans are worse than expected.

7. Select one strength, one weakness, one opportunity, and one threat from the SWOT analysis for Ben and Jerry's shown in Figure 2-6, and suggest a specific possible action that Unilever might take to exploit or address each one.

Answer: In the table below a SWOT element is chosen and a resulting possible action identified:

SWOT Element	Description	Possible Action
An internal strength	Strong brand name.	Leverage brand name, use it on new products.
An internal weakness	Flat sales and profits in recent years.	Look to expanding distribution.
An external opportunity	Growing demand for quality ice cream in overseas markets.	Continue to enter foreign markets.
An external threat	Competes with giant Pillsbury and its Haagen-Dazs brand.	Continue to innovate to stay ahead of its much larger competition.

8. The goal-setting step in the planning phase of the strategic marketing process sets quantified objectives for use in the control phase. What actions are suggested for a marketing manager if measured results are below objectives? Above objectives?

Answer:

- a. If measured results for a marketing manager fall below objectives, the manager probably wants to identify the reason for the problem and take actions to correct the problem or, if the problem cannot be solved, to consider abandoning the product or market that poses significant problems.
- b. If measured results are significantly above objectives, again the manager wants to identify the reasons for the excellent performance and take actions to exploit or build on these new opportunities.

### BUILDING YOUR MARKETING PLAN

1. READ APPENDIX A, "BUILDING AN EFFECTIVE MARKETING PLAN." THEN WRITE A 600-WORD EXECUTIVE SUMMARY FOR THE INTERNET CAFÉ MARKETING PLAN USING THE NUMBERED HEADINGS SHOWN IN THE PLAN. WHEN YOU HAVE COMPLETED THE DRAFT OF YOUR OWN MARKETING PLAN, USE WHAT YOU LEARNED IN WRITING AN EXECUTIVE SUMMARY FOR THE INTERNET CAFÉ TO WRITE A 600-WORD SUMMARY TO GO IN FRONT OF YOUR OWN MARKETING PLAN.
2. USING CHAPTER 2 AND APPENDIX A AS GUIDES, GIVE FOCUS TO YOUR MARKETING PLAN BY (A) WRITING YOUR MISSION STATEMENT IN 25 WORDS OR LESS, (B) LISTING THREE NONFINANCIAL GOALS AND THREE FINANCIAL GOALS, (C) WRITING YOUR COMPETITIVE ADVANTAGE IN 35 WORDS OR LESS, AND (D) DOING A SWOT ANALYSIS TABLE.

**SUPPLEMENTAL LECTURE NOTE 2-1**  
**PIMS' POOLED BUSINESS EXPERIENCE GUIDELINES FOR BUSINESS PLANNING**

BCG'S GROWTH-SHARE MATRIX DEPENDS HEAVILY ON THE PLANNER'S JUDGMENT IN INTERPRETING COMPLEX, OFTEN AMBIGUOUS INFORMATION. THE PROFIT IMPACT OF MARKETING STRATEGY (PIMS) PROJECT, OF THE NON-PROFIT STRATEGIC PLANNING INSTITUTE, ATTEMPTS TO OVERCOME THIS SUBJECTIVITY BY USING ACTUAL QUANTITATIVE DATA COLLECTED FROM BUSINESS FIRMS. THIS DATA REPRESENTS A POOL OF INFORMATION ABOUT THE EXPERIENCES OF THE PARTICIPATING COMPANIES.

**INFORMATION NEEDED**

PIMS COLLECTS ACTUAL DATA ON MORE THAN 3000 SBUs FROM MORE THAN 450 MEMBER BUSINESS FIRMS THAT BELONG TO THE STRATEGIC PLANNING INSTITUTE. THE INFORMATION COLLECTED FROM EACH FIRM INCLUDES MORE THAN 100 DATA ITEMS FOR EACH SBU. THESE ITEMS INCLUDE CHARACTERISTICS OF THE MARKET ENVIRONMENT, THE COMPETITIVE ENVIRONMENT, AND THE STRATEGIES USED BY THE SBU. THESE FACTORS ARE THEN PUT INTO A COMPUTER MODEL TO IDENTIFY WHICH ONES ARE THE BEST PREDICTORS OF TWO KEY PERFORMANCE MEASURES: RETURN ON INVESTMENT (ROI) AND CASH FLOW.

**USE IN MARKETING PLANNING**

THE PIMS DATA ARE USED (1) TO DEVELOP GENERALIZATIONS ABOUT HOW AN SBU'S PERFORMANCE ON ROI AND CASH FLOW RELATES TO THE FACTORS MEASURED AND (2) TO ANALYZE HOW A SPECIFIC SBU COMPARES WITH THE TYPICAL PERFORMANCE IN AN INDUSTRY. FOR EXAMPLE, THE PIMS ANALYSIS SHOWS THAT ROI INCREASES DIRECTLY WITH AN INCREASE IN A FIRM'S MARKET SHARE.

IN ONE FORM OF PIMS ANALYSIS, CROSS TABULATIONS ARE DEVELOPED TO RELATE THE ROI RESULTS FOR THE TWO FACTORS ON THE AXES. PP2-B SHOWS ONE SUCH CROSS TABULATION. THE TWO "CUTTING POINTS" ON EACH AXIS ARE SELECTED SUCH THAT APPROXIMATELY 100 SBUs ARE IN EACH CELL OF THE TABLE. THE NUMBERS IN EACH CELL REPRESENT THE AVERAGE ROI FOR THE SBUs IN THAT CELL.

PP2-B RELATES THE RELATIVE MARKET SHARE (DEFINED BY PIMS AS THE FIRM'S SALES DIVIDED BY THE SUM OF THE SALES OF THE THREE LARGEST COMPETITORS) OF SBUs IN THE SAMPLE TO THE RATIO OF THE SBU'S MARKETING EXPENSES AND ITS SALES REVENUE. FOR EXAMPLE, "20" IN THE UPPER LEFT CELL INDICATES THAT THE 100 SBUs THAT HAD BOTH (1) LESS THAN A 6 PERCENT RATIO OF MARKETING EXPENSES TO SALES REVENUE AND (2) LESS THAN A 26 PERCENT RELATIVE MARKET SHARE

**ACHIEVED AN AVERAGE ROI OF 20 PERCENT**

AN INCREASE IN MARKETING EXPENDITURES HAS LITTLE EFFECT ON MEDIUM- AND HIGH-MARKET SHARE FIRMS (THE MIDDLE AND BOTTOM ROWS, RESPECTIVELY) BUT DEPRESSES ROI SIGNIFICANTLY FOR LOW-MARKET SHARE FIRMS.

THE CROSS TABULATION IS A SIMPLIFICATION BECAUSE IT RELATES ONLY THE FACTORS ON THE TWO AXES TO ROI, BUT THE COMPUTER MODEL HAS THE ABILITY TO SIMULTANEOUSLY ANALYZE THE EFFECT ON EITHER ROI OR CASH FLOW OF MORE THAN 30 FACTORS. PIMS FINDINGS SHOW THAT THE SBU'S RELATIVE MARKET SHARE, INDUSTRY GROWTH RATE, POSITION IN THE PRODUCTION LIFE CYCLE, AND MARKETING EXPENSE SALES RATIOS ARE AMONG THE MOST IMPORTANT MARKETING-RELATED FACTORS AFFECTING ROI AND CASH FLOW.

**STRENGTHS AND WEAKNESSES**

STRENGTHS OF THE PIMS POOLED BUSINESS EXPERIENCE ANALYSIS IN ASSISTING MANAGERS IN MARKETING PLANNING INCLUDE (1) THE USE OF OBJECTIVE DATA TO REPRESENT THE ACTUAL EXPERIENCE OF SBUs IN THE SAMPLE, (2) THE SIZE AND BREADTH OF BUSINESS FIRMS AND SBUs IN THE SAMPLE, AND (3) THE IDENTIFICATION OF STATISTICAL RELATIONSHIPS BETWEEN SPECIFIC FACTORS AND ROI AND CASH FLOW. WEAKNESSES INCLUDE THE DIFFICULTY SOME FIRMS AND SBUs HAVE (1) IDENTIFYING AND REPORTING INFORMATION IN THE EXACT FORMAT REQUIRED BY PIMS, (2) ASSESSING THE DEGREE TO WHICH THE PIMS STATISTICAL RELATIONSHIPS CAN BE



GENERALIZED TO ALL SBUs IN ALL INDUSTRIES, AND (3) DETERMINING WHETHER CREATIVE MARKETING STRATEGIES DELIBERATELY AT ODDS WITH SOME PIMS FINDINGS MIGHT LEAD TO SUCCESS FOR A SPECIFIC SBU.

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*Source:*

Roger A. Kerin, Vijay Mahajan, and P. Rajan Varadarajan, Contemporary Perspectives on Strategic Market Planning, (Needham Heights, MA: Allyn and Bacon, 1990), pp. 72-77; Derek F. Abell and John S. Hammond, Strategic Marketing Planning: Problems and Analytical Approaches, 1979, p. 281. Represented by permission of Prentice-Hall, Inc., Englewood Cliffs, N.J.

**SUPPLEMENTAL LECTURE NOTE 2-2**  
**MARKETING AND BUSINESS PLANS TARGETED AT DIFFERENT AUDIENCES**

MARKETING PLANS ARE THE MEANS BY WHICH AN ORGANIZATION ATTEMPTS TO CARRY OUT ITS STRATEGIC MARKETING PROCESS. AS DESCRIBED IN APPENDIX A, LET'S REVIEW TWO KEY TERMS:

- **MARKETING PLAN.** A ROADMAP FOR THE MARKETING ACTIVITIES OF AN ORGANIZATION FOR A SPECIFIED FUTURE PERIOD OF TIME, SUCH AS ONE YEAR OR FIVE YEARS.
- **BUSINESS PLAN.** A ROADMAP FOR THE ENTIRE ORGANIZATION FOR A SPECIFIED FUTURE PERIOD OF TIME, SUCH AS ONE YEAR OR FIVE YEARS.

THERE IS NO "GENERIC," ONE-SIZE-FITS-ALL STRUCTURE FOR EITHER A MARKETING OR A BUSINESS PLAN. RATHER, THEY VARY DEPENDING ON FACTORS SUCH AS THE TIME PERIOD, INDUSTRY, AND SIZE AND KIND OF ORGANIZATION INVOLVED. FIGURE A-1 IN APPENDIX A AND GIVEN IN PP2-C SHOW THAT THE ELEMENTS IN A MARKETING PLAN AND BUSINESS PLAN ALSO DEPEND HEAVILY ON (1) WHO THE AUDIENCE IS AND (2) WHAT ITS PURPOSE IS. A MARKETING OR BUSINESS PLAN FOR AN INTERNAL AUDIENCE SEEKS TO POINT THE DIRECTION FOR FUTURE ACTIVITIES AND IS SENT TO ALL INDIVIDUALS IN THE ORGANIZATION WHO MUST IMPLEMENT THE PLAN OR WHO WILL BE AFFECTED BY IT. IF THE PLAN IS DIRECTED TO AN EXTERNAL AUDIENCE — SUCH AS FRIENDS, BANKS, VENTURE CAPITALISTS, POTENTIAL INVESTORS — FOR THE PURPOSE OF RAISING CAPITAL, IT HAS THE ADDITIONAL FUNCTION OF BEING AN IMPORTANT SALES DOCUMENT. IN THIS CASE IT CONTAINS ELEMENTS SUCH AS THE STRATEGIC PLAN/FOCUS, ORGANIZATION, AND BIOGRAPHIES OF KEY PERSONNEL THAT WOULD RARELY APPEAR IN AN INTERNAL PLAN. ALSO, THE FINANCIAL INFORMATION SHOWN IN THE APPENDIX IS FAR MORE DETAILED WHEN THE PLAN IS USED TO RAISE CAPITAL, AND WHEN PROSPECTIVE INVESTORS ARE TOLD HOW THEY WILL GET THEIR MONEY BACK AND EARN A PROFIT ON THEIR INVESTMENT. BUT EVEN INTERNAL MARKETING AND BUSINESS PLANS OFTEN HAVE AN OBJECTIVE OF JUSTIFYING A REQUEST FOR FINANCIAL RESOURCES. IN CONTRAST, PLANS SENT TO EXTERNAL AUDIENCES WOULD RARELY CONTAIN CONTINGENCY PLANS THAT MIGHT APPEAR IN AN EVALUATION AND CONTROL SECTION OF THE PLAN.

AS SHOWN BY COMPARING COLUMNS IN THE TABLE FOR MARKETING AND BUSINESS PLANS, THE ELEMENTS OFTEN VARY. A KEY DIFFERENCE BETWEEN A MARKETING PLAN AND A BUSINESS PLAN IS THAT THE BUSINESS PLAN CONTAINS DETAILS ON THE R&D/OPERATIONS/MANUFACTURING ACTIVITIES OF THE ORGANIZATION. AS NOTED IN APPENDIX A, EVEN FOR A MANUFACTURING BUSINESS, THE MARKETING PLAN IS PROBABLY 60 OR 70 PERCENT OF THE ENTIRE BUSINESS PLAN. FOR SMALL RETAIL BUSINESSES, THEIR MARKETING AND BUSINESS PLANS ARE VIRTUALLY IDENTICAL.