

CHAPTER 2

Planning, Implementing, and Evaluating Marketing Strategies

TEACHING RESOURCES QUICK REFERENCE GUIDE

Resource	Location
Purpose and Perspective	IRM, p. 21
Lecture Outline	IRM, p. 22
Discussion Starters	IRM, p. 30
Class Exercise	IRM, p. 32
Semester Project	IRM, p. 34
Chapter Quiz	IRM, p. 35
Answers to Discussion and Review Questions	IRM, p. 36
Answers to Application Questions	IRM, p. 39
Answers to Internet Exercise	IRM, p. 40
Answers to Developing Your Marketing Plan	IRM, p. 41
Comments on the Cases	IRM, p. 42
Case 2.1	IRM, p. 42
Case 2.2	IRM, p. 43
Strategic Case 1	IRM, p. 44
Instructions for Role-Play Team Case	IRM, p. 45
Examination Questions: Essay	Testing CD
Examination Questions: Multiple-Choice	Testing CD
Examination Questions: True-False	Testing CD
PowerPoint Slides	Instructor's website

Note: Note: Additional resources may be found on the accompanying student and instructor websites at www.cengagebrain.com.

PURPOSE AND PERSPECTIVE

This chapter focuses on strategic planning. We begin this chapter with an overview of the strategic planning process. Next, we examine 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. We then explore 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 we will see throughout the remainder of this book.

LECTURE OUTLINE

I. Introduction

- A. **Strategic marketing management** is the process of planning, implementing, and evaluating the performance of marketing activities and strategies based on both effectiveness and efficiency.
- B. The overall goal of strategic marketing management is to facilitate customer relationships and reduce costs.

II. The Strategic Planning Process

- A. With competition increasing, firms must spend more time planning—determining how to use resources and capabilities to achieve objectives and satisfy customers.
- B. The process of **strategic planning** helps a firm establish an organizational mission and goals, corporate strategy, marketing objectives, marketing strategy, and a marketing plan.
 - 1. The process begins with an organization establishing or revising its mission and goals, and then developing corporate strategies to achieve these goals.
 - 2. The company then analyzes its strengths and weaknesses and identifies opportunities and threats within the marketing environment and the industry.
 - 3. Each functional area must support overall organizational goals and mission and should focus on market orientation.
- C. Establishing an Organizational Mission and Goals
 - 1. The goals of any organization derive from its **mission statement**, which is a long-term view, or vision, of what the organization wants to become. An organization's mission really answers two questions:
 - a. Who are our customers?
 - b. What is our core competency?
 - 2. A company's mission, goals, and objectives must be properly implemented to achieve and communicate the desired corporate identity—a company's unique symbols, personalities, and philosophies.
 - a. An organization's goals and objectives should guide its planning efforts.
 - b. Goals focus on the end results sought by the organization.
- D. Developing Corporate and Business-Unit Strategies
 - 1. Strategic planning often begins at the corporate level and proceeds from there to the business-unit and marketing levels, although some firms are developing strategy from the top-down and from the bottom-up to seek expertise from multiple levels.
 - 2. Corporate strategy should be developed with the organization's overall mission in mind, business-unit strategy should be consistent with corporate strategy, and marketing strategy should be consistent with both.
 - 3. Corporate Strategy
 - a. Corporate strategy determines the means for utilizing resources in the functional areas of marketing, production, finance, research and development (R&D), and human resources to reach the organization's goals.

- b. Corporate strategy planners are concerned with broad issues (corporate culture, competition, differentiation, diversification, interrelationships between business units, and environmental and social issues).
 - c. They are also concerned with defining the scope and role of the organization's business units so the units coordinate efforts to reach the desired ends.
4. Business-Unit Strategy
- a. A **strategic business unit (SBU)** is a division, product line, or other profit center within the parent company. Strategic planners should recognize the strategic performance capabilities of each SBU and carefully allocate resources among the divisions.
 - b. 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 these products. The percentage of a market which actually buys a specific product from a specific company is referred to as that product's (or business unit's) *market share*.
 - c. The **market-growth/market-share matrix**, the Boston Consulting Group (BCG) approach, is based on the philosophy that a product's market growth rate and its market share are important considerations in determining its marketing strategy.
 - (1) All the organization's SBUs and products should be integrated into a single, overall matrix and evaluated to determine appropriate strategies for individual products and overall portfolio strategies.
 - (2) Managers can use this model to determine and classify each product's expected future cash contributions and future cash requirements.
 - (3) This model classifies an organization's products into four basic types:
 - (a) *Stars* have a dominant share of the market and good prospects for growth; they use more cash than they generate to finance growth, add capacity, and increase market share. Example: Apple's iPod
 - (b) *Cash cows* have a dominant share of the market but low prospects for growth; typically they generate more cash than is required to maintain market share. Example: Procter & Gamble's Bounty paper towels
 - (c) *Dogs* have a subordinate share of the market and low prospects for growth; these products are often found in established markets. Example: General Motors' (now defunct) Oldsmobile brand
 - (d) *Question marks*, sometimes called "problem children," have a small share of a growing market and generally require a large amount of cash to build market share. Example: Mercedes mountain bikes
 - d. The long-term health of an organization depends on having some products that generate cash (and provide acceptable profits) and others that use cash to support growth.
- E. Assessing Organizational Resources and Opportunities
- 1. The strategic planning process begins with an analysis of the marketing environment, which can influence an organization's goals, resources, and opportunities.
 - 2. Strategic planning must assess an organization's available financial and human resources capabilities and how the level of these resources is likely to change in the future. Resources can include:
 - a. Goodwill

- b. Reputation
 - c. Brand names
 - d. **Core competencies**, or things a firm does extremely well and can sometimes give a company an advantage over its competition.
- 3. Analysis of the marketing environment also involves identification of opportunities in the marketplace.
 - a. A **market opportunity** exists when the right combination of circumstances and timing permits an organization to take action to reach a particular target market.
 - b. **Strategic windows** are temporary periods during which there is an optimum fit between the key requirements of a market and the particular capabilities of a firm competing in that market.
- 4. A company is said to have a **competitive advantage** when it matches a core competency to opportunities in the marketplace.
- 5. A **SWOT Analysis** is one tool marketers use to assess an organization's strengths, weaknesses, opportunities, and threats in the marketing environment (see Figure 2.4).
 - 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 in meeting the needs of its target markets.
 - (2) *Weaknesses* refer to any (internal) limitations that a company faces in developing or implementing a marketing strategy.
 - (3) Both strengths and weaknesses should be examined from a customer perspective.
 - b. Opportunities and threats exist independently of the organization and therefore represent issues to be considered by all organizations in an industry, even those that are not competitors.
 - (1) *Opportunities* refer to favorable conditions in the environment that could produce rewards for the organization if acted upon properly.
 - (2) *Threats* refer to conditions or barriers that may prevent the organization from reaching its objectives.
 - c. When an organization matches internal strengths to external opportunities, it creates competitive advantages in meeting the needs of its customers.
 - d. Companies should attempt to convert internal weaknesses into strengths and external threats into opportunities.
- 6. First-Mover and Late-Mover Advantage
 - a. A **first-mover advantage** is the ability to achieve long-term competitive advantages by being the first to offer a certain product in the marketplace.
 - (1) Benefits include building a reputation as a market leader, reducing competition, establishing brand loyalty, and protecting trade secrets.
 - (2) Risks include high costs associated with creating and marketing a new product, slower than predicted sales growth, and the potential for product failure.

- b. A **late-mover advantage** is the ability to achieve long-term competitive advantages by not being the first to offer a certain product in a marketplace.
 - (1) Benefits include learning from first-movers' mistakes, improved products and marketing strategies, lower initial investment costs, more market certainty, and more educated buyers.
 - (2) Risks include first-movers holding patents and other protections on products and difficulty in convincing consumers to change brands.
 - (3) The timing of entry to the market is crucial and can determine the amount of late-mover advantage.

F. Developing Marketing Objectives and Marketing Strategies

- 1. A **marketing objective** states what is to be accomplished through marketing activities.
 - a. 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.
 - b. They should be based on the SWOT analysis and relate matching strengths to opportunities and/or convert weaknesses and threats.
 - c. Marketing objectives should:
 - (1) Be expressed in clear, simple terms
 - (2) Be written so that they can be measured
 - (3) Specify a time frame for accomplishment
 - (4) Be consistent with both business-unit and corporate strategy
 - (5) Contribute to corporate strategy
- 2. 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.
 - a. Selecting the Target Market
 - (1) Selecting a target market is the most important decision a company makes in the strategic planning process.
 - (2) Identification and analysis of a target market provide a foundation on which a marketing mix can be developed.
 - (3) When exploring possible target markets, marketing managers try to evaluate how entering them would affect the company's sales, costs, and profits.
 - (4) Marketers should also assess whether the company has the resources to develop the right marketing mix to meet the needs of a particular target market. The size and number of competitors is also a concern.
 - b. Creating Marketing Mixes
 - (1) The decisions made in creating a marketing mix are only as good as the organization's understandings of the target market.
 - (2) Understanding comes from careful in-depth research into demographics as well as customer needs, preferences, and behavior with respect to product design, pricing, distribution, and promotion.

- (3) Marketing mix decisions should also be flexible and consistent with the business-unit and corporate strategies.
- (4) The organization details how it will achieve a competitive advantage at the marketing mix level.
- (5) It is important that the organization attempt to make this advantage sustainable. A **sustainable competitive advantage** is one that cannot be copied by the competition.

III. Managing Marketing Implementation

A. **Marketing implementation** is the process of putting marketing strategies into action.

B. Organizing the Marketing Unit

1. The structure and relationships of a marketing unit strongly affect marketing activities.
2. Companies that truly adopt the marketing concept develop an organizational culture based on a shared set of beliefs that makes the customer's needs the pivotal point of the company's decisions about strategy and operations.
3. An important decision regarding structural authority is whether the marketing operation should be centralized or decentralized.
 - a. In a **centralized organization**, top-level managers delegate little authority to lower levels. Most traditional organizations are highly centralized.
 - 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 respond to customer needs more quickly
4. Organizing marketing activities in ways that mesh with a company's strategic marketing approach enhances performance.

C. Motivating Marketing Personnel

1. Managers must discover their employees' needs and then develop motivational methods that will help employees satisfy those needs.
2. A firm can motivate its workers by directly linking pay with performance, informing workers how their performance affects department and corporate results, following through with appropriate compensation, implementing a flexible benefits program, and adopting a participative management approach.
3. Managers should also use a variety of other tools, including nonfinancial rewards such as prestige or recognition, job autonomy, skill variety, task significance, increased feedback, or even a more relaxed dress code.

D. Communicating within the Marketing Unit

1. With good communication, marketing managers can motivate personnel and coordinate their efforts.
2. Marketing managers must be able to communicate with the firm's upper-level management to ensure marketing activities are consistent with the company's overall goals.
3. Communication that flows upward from the frontline of the marketing unit to higher-level marketing managers provides important information about the needs of customers and employees.

4. Training helps employees to learn, ask questions, and become accountable for marketing performance.
 5. Marketers need an information system to support a variety of activities, such as planning, budgeting, sales analyses, performance evaluations, report preparation, and improving communication.
- E. Coordinating Marketing Activities
1. To achieve marketing objectives, marketing managers must coordinate actions within and across departments, firms, and external organizations.
 2. Marketing managers can improve coordination by making each employee aware of how his or her job relates to others and how his or her actions contribute to the achievement of marketing objectives.
- F. 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 each activity.
 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

IV. Evaluating Marketing Strategies

- A. **Strategic performance evaluation** consists of establishing performance standards, measuring actual performance, comparing actual performance with established standards, and modifying the marketing strategy.
- B. Establishing Performance Standards
1. A **performance standard** is an expected level of performance against which actual performance can be compared, such as a reduction in customer complaints, a sales quota, or an increase in customer accounts.
 2. Marketing objectives directly or indirectly set forth performance standards, usually in terms of sales, costs, or communication dimensions.
- C. Analyzing Actual Performance
1. **Sales analysis** uses sales figures to evaluate a firm's current performance.
 - a. It is most common method because sales data partially reflect the target market's reactions to the marketing mix.
 - b. Marketers use current sales data to monitor the impact of current marketing efforts and compare them to forecasted sales, industry sales, a competitor's sales, or related costs.

- c. The basic unit of measurement is the sales transaction, which includes the quantity, terms, the salesperson or sales team, and the date.
- d. Firms frequently use dollar volume in their sales analyses, but price increases and decreases affect total sales figures, and those effects should be factored out.
- e. Market share analysis lets a company compare its marketing strategy with competitor's strategies and estimate whether sales changes have resulted from the firm's marketing strategy or from uncontrollable environmental forces. However, the results must be interpreted carefully.

2. Marketing Cost Analysis

- a. **Marketing cost analysis** breaks down and classifies costs to determine which are associated with specific marketing efforts.
- b. It can help isolate profitable or unprofitable customers, products, and geographic areas and better allocate resources.
- c. A company that understands and manages its costs appropriately has a competitive advantage and can compete on price.
- d. One way to analyze costs is by comparing a company's costs with industry averages; however, a company should take into account its own unique situation.
- e. Costs can be categorized into fixed costs (always the same over time) such as rent as well as variable costs (affected by sales or production volume) such as the cost to produce product. They can also be categorized by whether they can be linked to a specific business function.

D. Comparing Actual Performance with Performance Standards and Making Changes, If Needed

- 1. Comparing actual performance with established performance standards can result in actual performance exceeding performance standards or actual performance failing to meet performance standards.
- 2. It is important to find out why a particular strategy is effective or ineffective so that it can be improved.
- 3. Marketers may have to alter the marketing objective to make it more realistic.

V. Creating the Marketing Plan

A. The **marketing plan** is a written document that outlines and explains all the activities necessary to implement marketing strategies and is an outcome of the planning process.

- 1. It is the basis for internal communication among employees.
- 2. It covers the assignment of responsibilities and tasks, as well as schedules for implementation.
 - a. It presents objectives and specifies how resources are to be allocated to achieve these objectives.
 - b. It helps marketing managers monitor and evaluate the performance of a marketing strategy.
 - c. A company may develop multiple marketing plans that relate to different products or brands.
- 3. Marketing planning and implementation are closely linked in successful companies.

4. Organizations use many different formats, and it is important is to make sure that it aligns with corporate and business-unit strategies and is shared with all key employees.
- B. The major parts of a marketing plan include:
1. The executive summary, which provides an overview of the entire marketing plan.
 2. 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 SWOT analysis, which assesses an organization's strengths, weaknesses, opportunities, and threats.
 4. The marketing objectives, which state what the company wants to accomplish through marketing activities and describes the target market and the marketing mix.
 5. The marketing implementation section, which outlines how marketing strategies will be implemented.
 6. The performance evaluation section, which establishes standards for how results will be measured, evaluated, and adjusted.

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.

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 expectation. 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 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/activism/mission-statement>) as well as New Belgium Brewery's history and mission (available at <http://www.newbelgium.com/our-story>).

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: Entrepreneurship in Marketing: Rogers Family Company

ASK: *How did the Rogers Family Company differentiate its coffee from other gourmet coffees? Do you think it is doing enough to compete in today's market?*

Students should focus on the company's mission to make a difference with its coffee. The Rogers Family Company buys beans at prices that are fair to farmers and develops eco-friendly growing practices.

ASK: *What are some potential threats to the Rogers Family Company? How might the company combat these threats?*

Although the company is the largest coffee roaster in the San Francisco area, students may argue that more companies are adopting fair trade and sustainable growing practices, so the Rogers Family Company may have to continue to innovate in order to remain successful. In addition, while single-serve coffees are popular, they also create more waste, which may damage the company's eco-friendly reputation. Students will have a variety of suggestions for how to combat these threats.

Discussion Starter 4: Internal Marketing

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 and 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. The following link connects to the Ernst and Young Facebook page:

<http://www.facebook.com/ernstandyoungcareers>

(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 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 2.4* 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 a 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: Class Mission Statement

A mission statement provides a long-term view, or vision, about what the organization wants to become. It serves as the orienting point for the organization's goals and objectives.

In this exercise you will develop a mission statement for the class.

Step 1: Begin by identifying customers' needs and wants.

Step 2: Identify key elements that must be in the class mission statement.

Step 3: Write a mission statement for the class.

Choose one member of the group to report the group's activities to the class.

After this exercise the instructor should combine elements from the various mission statements and define a single mission statement for the class.

SEMESTER PROJECT

As outlined in Chapter 2, 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 a wide variety of tools to assist you in identifying your wants and capabilities.

http://www.muskingum.edu/~cal/database/aftercollege/career_planning.html

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. _____ 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.
 - a. Internal management
 - b. Internal leadership
 - c. Empowerment
 - d. Internal marketing
 - e. Total quality management
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

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

ANSWERS TO DISCUSSION AND REVIEW QUESTIONS

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 or services 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 firm'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 socio-cultural 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 outlines the internal strengths and weaknesses of a firm and the external opportunities and threats. This information can be used to develop appropriate strategies for converting weaknesses into strengths, threats into opportunities, and to match strengths to opportunities.

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.

The major parts of a marketing plan include the executive summary, which provides an overview of the entire marketing plan; 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 SWOT analysis, which assesses an organization's strengths, weaknesses, opportunities, and threats; the marketing objectives, which state what the company wants to accomplish through marketing activities and describes the target market and the marketing mix; the marketing implementation section, which outlines how marketing strategies will

be implemented; and the performance evaluation section, which establishes standards for how results will be measured, evaluated, and adjusted.

ANSWERS TO APPLICATION QUESTIONS

1. **Contact three companies that appear to be successful. Ask one of the company's managers if he or she would share with you the company's mission statement or organizational goals. For many companies, the mission statement and organizational goals can also be found on the company's webpage. Obtain as much information as possible about the mission statement and organizational goals. Discuss how the statement matches the criteria outlined in the text.**

Student answers will vary, but they should address the two main points of each company's mission statement: Who are our customers? and What is our core competency?

2. **Assume you own a new, family-style restaurant that will open for business in the coming year. Formulate a long-term goal for the restaurant, and then develop short-term goals to help you achieve the long-term goal.**

Students should focus on setting realistic goals and getting regular feedback on performance to ensure ongoing success. Each short-term goal should support the long-term goal of making a certain amount of sales, breaking even, or serving a certain number of customers,

3. **Amazon.com identified an opportunity to capitalize on a desire of many consumers to shop at home. This strategic window gave Amazon.com a very competitive position in a new market. Consider the opportunities that may be present in your city or your region. Identify a strategic window, and discuss how a company could take advantage of this opportunity. What types of core competencies are necessary?**

Students should focus on matching core competencies to opportunities in the market.

4. **Marketing units may be organized according to functions, products, regions, or types of customers. Describe how you would organize the marketing units for the following:**
 - a. A toothpaste with whitener; a toothpaste with sensitivity protection; a toothpaste with cinnamon flavor: types of customers
 - b. A national line offering all types of winter and summer sports clothing for men and women: regions or functions
 - c. A life insurance company that provides life, health, and disability insurance: products, types of customers, or regions
5. **Create a SWOT analysis for Ford based on Case 2.2. Rank each of the strengths, weaknesses, opportunities, and threats from 1 to 10 depending on how significant you feel they are to the company. Do you feel Ford has a high competitive position relative to other automobile companies?**

Student responses will vary for each part of the question, but they should support each of their answers with direct examples from the case. Ford's core competencies are its engineering and manufacturing expertise and its in-depth understanding of customers and their needs, and these should be reflected in its strengths and its opportunities. Weaknesses and threats Ford's current financial position, the company being spread too thin, a lack of regional innovation under the new One Ford program, market instability, and competition in the industry.

ANSWERS TO INTERNET EXERCISE

Sony

Internet analysts have praised Sony's website as one of the best organized and most informative on the Internet. See why by accessing www.sony.com.

- 1. Based on the information provided on the website, describe Sony's SBUs. Does Sony have SBUs that are divisions, product lines, or some other profit center structure within the parent company Sony?**

Sony's SBUs are first divided by global regions. It's U.S. businesses are divided into the following units:

- Sony Electronics Inc.
- Sony Pictures Entertainment
- Sony Music Entertainment
- Sony Computer Entertainment America LLC
- Sony Network Entertainment
- Sony DADC Americas
- Sony/ATV Music Publishing
- Sony Mobile Communications

This shows that Sony's next division is by type of product.

- 2. Based on your existing knowledge of Sony as an innovative leader in the consumer electronics industry, describe the company's primary competitive advantage (i.e., what makes Sony strategically unique?). How does Sony's website support this competitive advantage?**

Sony's consumer electronics set the standard for many consumers. Students may cite the PlayStation3 or BluRay players as examples of industry-leading products. However, these products are successful because of Sony's integration with other products and services, including the PlayStation Network, releasing movies on BluRay discs, and delivering content on their devices. The company strategically providing the devices, content, and networks that work together to give consumers what they want. Sony's website presents products along side each other and as packages to reinforce the concept of integration of all consumer electronics.

- 3. Assess the quality and effectiveness of Sony's website. Specifically, perform a preliminary SWOT analysis comparing Sony's website with other high-quality websites you have visited.**

Students should assess all aspects of the website, including ease of use, content, interactivity, and how different products are connected to each other via the site. When comparing the Sony site to other websites, remind students that they can think outside the box and expand their search to successful websites like Amazon.com.

ANSWERS TO DEVELOPING YOUR MARKETING PLAN

The Interactive Marketing Plan exercise can be found at www.cengagebrain.com.

- 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 THE CASES

VIDEO CASE 2.1: WHITE ROCK'S SPARKLING PAST POINTS THE WAY TO ITS MARKETING FUTURE

Summary

This case describes the marketing strategies that White Rock used to revitalize its brand and grow in a highly competitive beverage industry. Although White Rock sparkling water was once popular, by the end of the 20th century, the company's growth had stagnated. To bring its brand back from the brink, White Rock changed several elements of its marketing mix. The company's branding focuses on its rich history as well as the nutritional benefits of its products. White Rock introduced new packaging by changing its containers and is diversifying its product mix by acquiring other brands with high growth potential. The company also uses a hybrid distribution system and quality customer service to differentiate its brands from competitors. With this new marketing mix, White Rock plans to expand its market and increase sales.

Questions for Discussion

1. How would you describe White Rock's strengths, weaknesses, opportunities, and threats?

Students may want to answer this question in a SWOT matrix (see Figure 2.4). Student answers will vary, but some answers may include:

Strengths: strong brand history, customer loyalty, products target health-food consumers, quality customer service, hybrid distribution system

Weaknesses: stagnant growth for White Rock brand, consumers are less familiar with the brands compared to competitors' brands

Opportunities: health-food consumption is increasing, consumers want all-natural and organic products, consumers want alternatives to soft drinks

Threats: competitors have more capital to use to compete, consumer demand for sparkling water is low, environmental forces

2. What do you think White Rock should do to gain competitive advantage?

Students may have different solutions for this question. Students may suggest that White Rock expand its target market to include groups outside of the niche health food industry, embark on new marketing initiatives to make the White Rock brand more well-known, or form partnerships with restaurants or cafes to sell the product at their locations and promote its premium quality.

3. What elements of the marketing mix could White Rock change to improve its marketing strategy?

The third question asks students to consider what elements of the marketing mix that White Rock could change to improve its marketing strategy. Technically, White Rock could change all elements of the marketing mix. Some are harder to change than others, however. The hardest to change would be distribution methods, as they involve transportation and location considerations. Pricing would be the easiest to change. Increasing the price for its products could promote its "premium brand" image, while lowering the price could attract more customers. Increasing promotion would be the best way to spread awareness of the White Rock product, through advertising, by forming partnerships, or by engaging in greater customer relationship marketing. White Rock could also change its products, either by adapting its current products, adopting different types of product packaging, or acquiring new brands. Changing any of these elements will likely affect the marketing strategy significantly.

CASE 2.2: FORD'S HARD-DRIVING STRATEGY FOR COMPETITIVE ADVANTAGE

Summary

This case discusses how Ford's "One Ford" strategy is creating a competitive advantage and helping the company to recover from the recession. This strategy reduces costs while maintaining a focus on customers as the foundation for everything the company does. Ford changed several parts of its marketing plan to make the "One Ford" strategy a success. The company simplified its product line, produced vehicles designed for the global market, refined its manufacturing process, and started to develop more budget-friendly and eco-friendly options. Ford intends for these changes to strengthen its brand and its profitability.

Questions for Discussion

- 1. What is Ford's corporate strategy? Describe Ford's marketing strategies. How should Ford alter its corporate and marketing strategies?**

"One Ford" summarizes Ford's corporate strategy of meeting the needs of customers across world markets. The company shifted from a localized production strategy to a more globalized one. It created a streamlined global product line that is designed in one location instead of designing automobiles for each region. Instead of customizing the cars, Ford uses customized advertising to target smaller regions. Ford is also focusing on its customers' needs and developing more budget-friendly, fuel-efficient options. For the last part of the question, student suggestions will vary.

- 2. What are Ford's core competencies, and how is the company using these in its "One Ford" program?**

Ford's core competencies are its engineering and manufacturing expertise and its in-depth understanding of customers and their needs. Under the "One Ford" program, Ford's simplified product line helps the company to produce vehicles more efficiently and quickly share innovations across the entire organization and streamline new product development. Ford then uses its knowledge of consumers' needs and preferences to market directly to specific groups of consumers.

- 3. How can Ford use performance evaluation to stay on course toward the goals it seeks to achieve?**

Ford can use performance evaluation to compare its performance before and after the "One Ford" strategy and discover whether or not its changes were effective. Using sales analysis methods such as sales data and market share should help Ford to understand its position in the market. A cost analysis would also help the company to determine whether the simplified product line is reducing costs associated with growing sales. In both cases, the company must make sure to factor out environmental changes. The company should also monitor its expectations and decide whether its goals are realistic.

STRATEGIC CASE 1: CONSUMERS TAKE A SHINE TO APPLE INC.

Summary

This case discusses how Apple Inc. uses its marketing mix to inspire intense customer loyalty and create a strong brand. Although students may be familiar with Apple's innovative products, the company's pricing, distribution, and promotion strategies are also cutting-edge and designed to attract customers. Thanks to an efficient use of the marketing concept, Apple is one of the most valuable and trusted brands in the world, although its future seems more uncertain in the wake of the death of Steve Jobs, Apple's creative leader.

Questions for Discussion

1. How has Apple implemented the marketing concept?

According to the marketing concept, a firm should try to provide products that satisfy customers' needs through a coordinated set of activities that also allow the firm to achieve its goals. Apple is an expert at the marketing concept, designing products that consumers love, creating a consistent brand image through its promotion and distribution strategies, and charging premium prices. Students may cite specific examples of each element of the marketing mix.

2. Describe the role of Apple stores as an important part of its marketing strategy.

Apple stores allow Apple to control the distribution element of the marketing mix. Everything in the Apple store is carefully planned to align with the company's image, provide excellent customer service, and ultimately keep customers in the store longer.

3. What will Apple need to do to maintain product innovation and customer loyalty?

Student answers may vary, but they will probably focus on the changes at Apple after Steve Jobs' death. Apple will have to find a way to maintain its innovative corporate culture and reassure customers that the company continues to put their customers first. Apple will also have to create new products in order to remain relevant.

INSTRUCTIONS FOR ROLE-PLAY TEAM CASE

ROLE-PLAY TEAM CASE EXERCISE 1: BIRMINGHAM HILL CHEESE COMPANY

This role-play team case exercise is designed to simulate actual marketing decision making in the real world. Students take on assigned roles and then participate in a team discussion of the case.

Preparation

Break the class into teams of 5. The entire team should read the Background section.

Each student will take on a role of a particular employee within the organization. Even though all of the roles are printed in the textbook, each student should focus on only his/her assigned role and represent that person. We realize that some students might try to read all of the roles, but when they break into teams, they should only make comments based on their assigned roles.

The roles for Birmingham Hill Cheese Company are:

- Ted Yancey, Co-Owner
- Delilah Yancey, Co-owner
- Skylar Donaldson, Operations Manager
- Ana Vigil, Promotion Manager
- John McDougall, Lawyer and Business Advisor

Team Meeting

Students should try to accurately represent the motivations and interests of their individual roles during a team discussion (15-45 minutes depending on class activities). Teams should discuss each of the issues in the case and complete any activities mention in the Background section.

The issues for Birmingham Hill Cheese Company include:

- A rival cheese maker may be coming out with a cheese identical to what Birmingham Hill was selling.
- Birmingham Hill cannot meet the increase in demand at its current levels of production and have been forced to delay shipments to stores.
- Birmingham Hill's funds are strained from its rapid expansion, so it is unable to hire enough people to make up for the shortage
- If the shortages continue, then Whole Foods will eliminate the brand from its shelves.

This case will require students to complete the following activities:

- Complete a SWOT analysis to identify at least two strengths, opportunities, weaknesses, and threats
- Identify the target market, the marketing mix, and core competencies
- Identify ways to match its resources to market opportunities
- Use this information to create a new marketing strategy for Birmingham Hill.

This may be used solely as an in-class activity, or students can finalize reports outside of class.

Class Discussion (optional)

After the team meetings, instructors may choose to have teams discuss their findings and solutions with the class. Students may also want to talk about some of the interpersonal dynamics in their teams and their experiences as they worked toward a solution.