

Chapter 2

Company and Marketing Strategy: Partnering to Build Customer Engagement, Value and Relationships

Learning Objectives

1. Explain company-wide strategic planning and its four steps.
2. Discuss how to design business portfolios and develop growth strategies.
3. Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.
4. Describe the elements of a customer value-driven marketing strategy and mix, and the forces that influence it.
5. List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing return on marketing investment.

Note to instructors: Questions and answers to Marketing in Action and suggestions for Discussion Questions and Case Studies are provided below. The Ethical Reflections are student exercises designed for those students interested in the topic to further consider ethical issues. Class Activities are included at the end of this document which may be used to supplement lecture or discussion.

Marketing in Action 2.1 – Strategic planning involves having the right people

1. **Describe the advantages of strategic planning, and discuss how it might be employed by a company with which you are familiar.**

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Answer: Strategic planning is the process of developing and maintaining a strategic fit between the organisation's goals and capabilities and its changing marketing opportunities. The most obvious advantage is that old adage, 'those who fail to plan, plan to fail'. Businesses need to have strategic plans in order to give their businesses direction: where they are going, how they are going to get there and how they will know if they get there. Many businesses could be used as an example, such as Australia Post, which is planning for change due to the decline in the number of letters being posted and the increase in parcel delivery due to online sales.

2. What does BMW's brand image mean to you?

Answer: Students may have differing views about BMW: some will think it old-fashioned, some will think it is an unnecessary luxury, while others will equate it with luxury and success. It should provide a lively discussion.

3. Are you familiar with any products that compete on the basis of simplicity, rather than how fully featured the products are? Is this a case of least-cost positioning versus market differentiation? Explain your answer.

Answer: One example that students may offer is phones designed for children and the elderly which have few features and are easy to use. This would be differentiation, but it could be argued that it is least-cost positioning. A better least-cost example would be small TV/DVD player combinations.

Discussion Questions

1. Marketing planning. When preparing marketing plans, some of the components are considered to be more important than others. Given this, discuss whether there is justification for leaving out some components from the marketing plan. (Learning Objective 1, 3 and 4) (AACSB: Communication; Reflective Thinking)

Suggestion: This question shows the importance of cross-functional teams in the marketing planning process. What is likely to be important to one business function (e.g. design) may not be important to another (e.g. finance). Even maintenance can be important: airlines must also consider customer safety when formulating their marketing strategies.

2. Market turbulence. Sometimes the marketplace and products change so fast there is no time to develop marketing plans. Businesses such as BMW (see Marketing in Action 2.1) face such market turbulence. Discuss whether businesses should simply ignore the marketing planning process and just get on with meeting their competitors head on in marketing their offerings. (Learning Objective 2, 3 and 4) (AACSB: Communication; Analytical Thinking; Reflective Thinking)

Suggestion: The purpose of market plans is to reduce risk. Some firms with large capital reserves or access to low-cost capital, such as BMW, or firms with more flexible manufacturing processes can afford to change quickly or to bear some short-term losses if their hunches or guesses about the market prove to be right. Given the investment and loss of market share associated with a product failure, it still makes sense for firms to do some market planning, although the period of time from planning to implementation may be short, given the turbulence of the market. Another solution may be for companies to decentralise their planning down to SBU or even small-teams level so that opportunities in the marketplace can be quickly grasped.

- 3. Marketing plans and small business. Do you agree or disagree with the following statement by a marketing commentator: 'Most small businesses don't prepare marketing plans because the information needed to complete them is too hard to gather'? Justify your answer. What other reasons (if any) could there be why small businesses might not complete marketing plans? (Learning Objective 1, 2 and 3) (AACSB: Communication; Analytical Thinking; Reflective Thinking)**

Suggestion: All marketing plans are formulated with incomplete information. Managers have to make decisions without all the facts. These days, there are a range of online information sources that small businesses can access which are provided at low cost or for free by government (e.g. statistics from the Australian Bureau of Statistics <<http://www.abs.gov.au>>). State and federal governments also provide expertise in the formulation of business plans, and local libraries have a range of material that is beneficial. Many small businesses find that in order to expand by listing on the stock exchange or borrowing money from a bank, they are required to develop a marketing plan as part of a business plan. Therefore, a small business without a marketing plan will find it difficult to grow because it lacks access to finance, and financiers want to see a marketing plan as part of a business plan.

- 4. Strategic business unit planning. Many organisations are restructuring as smaller SBUs. Does this action make it any easier to develop marketing plans? Justify your answer. What other reasons (if any) could explain why this might be happening? (Learning Objective 2, 3 and 4) (AACSB: Communication; Analytical Thinking; Reflective Thinking)**

Suggestion: Some organisations like Pacific Dunlop and Ansel have restructured themselves into smaller SBUs so that they can better focus on a more specialist market rather than operate in competing industries and markets, which may require trade-offs in financing and resourcing. This was a major challenge faced by Coles-Myer, which found that there were competing demands between department stores (Myer) and discounters (Target), which both compete for the same retail consumer dollar. Thus ultimately leads to the restructuring of the organisation.

5. Marketing planning process. There is often confusion between the marketing plan and the marketing planning process. Elaborate on each, and discuss why they are important. (Learning Objective 1, 2 and 3) (AACSB: Communication; Analytical Thinking; Reflective Thinking)

Suggestion: The marketing plan is part of the planning process, which is an agreed on course of action. The marketing planning process also includes implementation. It is often said that implementation is often the most important part of the process. It is simply a case of actions speaking more loudly than words. There are also significant barriers to the implementation of marketing plans, and these need to be overcome. Also important for the success of any plan are controls and responsibility for actions (action plans). It is important that performance is tracked in accordance with the marketing plan so that any remedial action can be undertaken if necessary.

6. Business plans versus marketing plans. Is there a difference between a business plan and a marketing plan? Be sure to explain the reasoning behind your answer. (Learning Objective 1, 2 and 3) (AACSB: Communication; Analytical Thinking; Reflective Thinking)

Suggestion: Business plans include strategies and directions for each SBU. Business plans also include such areas as the mission and objectives of the firm, resource deployment and corporate values (see Figure 2.1 on p. 38). A marketing plan, on the other hand, is usually constructed for one business unit (SBU). In cases where a business has one SBU, the marketing plan should be similar to the business plan, except it won't deal with the company's mission, values and objectives directly. There is also a tendency in many organisations for business plans to be operation- and finance-based. It would be better that these plans had more of a market focus; in other words, that they were developed into marketing plans.

Critical Thinking Exercises

1. In a small group, give an example of how Red Bull energy-drink makers can grow by applying each of the product/market expansion grid strategies. Be sure to name and describe each strategy and discuss how the company might use each strategy to grow. (Learning Objective 2) (AACSB: Communication; Analytical Thinking; Reflective Thinking)

Suggestion: For example:

- market penetration – 10 per cent more for no-extra-cost cans
- market development – an older market, as a memory aid
- product development – a fruit-flavoured range
- diversification – energy bars for children.

2. **Marketers are increasingly held accountable for demonstrating the marketing success of their companies. Research the various marketing performance measures, in addition to those described in the chapter and in Appendix 3, used by marketers to measure marketing performance. Write a brief report of your findings. (Learning Objective 5) (AACSB: Communication; Analytical Thinking; Reflective Thinking)**

Suggestion: Direct the students to Google Scholar, where they will find many articles on marketing metrics from which they can find the required information.

3. **Explain the role of a chief marketing officer (CMO). Learn more about this C-level executive position and source an article that describes the importance of this position, the characteristics of an effective CMO and any issues surrounding this position. (Learning Objective 5) (AACSB: Communication; Analytical Thinking; Reflective Thinking)**

Suggestion: The following are good starting points:

- <<http://www.cmocouncil.org>>
- <<http://www.cmo.com.au>>
- <<http://www.bloomberg.com/news/2014-07-21/reinventing-the-chief-marketing-officer-an-interview-with-unilever-cmo-keith-weed.html>>.

Mini Case 2.1 – Online, mobile and social media marketing: Google’s mission

1. **Conduct research on Google to learn more about its products and services. Some say the time has come for Google to create a new mission statement. Do you agree? Explain. (AACSB: Communication; Reflective Thinking)**

Answer: This is an example of how a company has diversified their product line and may need a new mission statement that better reflects a broader range of goals for the organisation.

Create a new mission statement or Google that will take it through the rest of this century. (AACSB: Communication; Reflective Thinking) Answer: Responses will vary as students get creative and focus on the long-term goals of Google.

Mini Case 2.2 – Maccas’ mission

1. **Does McDonald’s’ marketing strategy of innovating via its menus differentiate it from (say) Hungry Jacks? Explain your answer. (Learning Objectives 3 and 4) (AACSB: Communication; Reflective Thinking)**

Answer: Students may see Maccas' as more innovative, and it will be interesting to get their views on the advertising campaign related to Maccas' telling the truth (e.g. which parts of the cow are used).

- 2. Research the positioning statements for each of the major fast-food chains. In what way do their advertising lines, such as 'I'm lovin' it', position the brands differently? (Learning Objectives 3 and 4) (AACSB: Communication; Reflective Thinking)**

Answer: 'The burger are better at Hungry Jacks' goes head to head with Maccas' 'I'm lovin' it', so students should recognise the positioning as being against each other.

Mini Case 2.3 – Dick Smith's demise: Poor strategy?

- 1. What marketing strategy options existed for Dick Smith when rebuilding the Dick Smith retail brand after being floated by Anchorage Capital in 2014? (Learning Objectives 1, 2, 3 and 4) (AACSB: Communication; Reflective Thinking)**

Answer: Students responses will consider various aspects of the branding process for Dick Smith. Issues should include having the wrong stock, poor online presences, and the use of rebates to inflate the earnings of the company.

- 2. What methods would you have used to assess consumer's perceptions of Dick Smith's positioning relative to retail competitors prior to the company's demise? (Learning Objectives 1, 2, 3 and 4) (AACSB: Communication; Reflective Thinking)**

Answer: A SWOT analysis might have predicted consumer's perceptions, allowing Dick Smith to better position themselves in the market.

- 3. What part does inventory play in the strategy (ies) you put forward for rebuilding the Dick Smith brand? (Learning Objectives 1, 2, 3 and 4) (AACSB: Communication; Reflective Thinking)**

Answer: Inventory played a large part in the Dick Smith brand. Anchorage Capital stripped the organisation of inventory to create a leaner, more efficient brand. Management then replaced the inventory with the wrong stock including generic brand electronics.

- 4. What method would you have used to analyse inventory turns? Assuming sales of \$1.2 billion in the 2014 financial year (FY), and a beginning inventory of \$400,000 and an end-of-year inventory of \$700,000, calculate the inventory turns in FY 2014. How many days' worth of inventory would Dick Smith be holding in this example? (Hint: See Appendix 3.) (Learning Objectives 3, 4 and 5) (AACSB: Communication; Reflective Thinking)**

Answer: Students should refer to Appendix 3 to learn more about calculating inventory returns. Students should review marketing dashboards to determine measures needed to assess and adjust their strategies.

Ethical Reflection 2.4 – Making the figures tell a story (p. 62)

Would you 'sweeten' the figures to show profitability in the short term to save your division and your job from extinction, or would you present a realistic plan showing losses in the short term and profits in the long term?

Answer: In order for you to have long-term credibility with the board, the most accurate figures should be used. As these are projections, a range of outcomes from pessimistic to optimistic should also be presented, as well as the most likely outcomes. While it may be possible that inflated figures may obtain board approval, there is also a possibility that these figures are not realistic and that eventually the members will find out that you have not met your performance outcomes. This may well mean further job losses (including your own), as the poor financial performance has not been budgeted for. The board is also responsible to shareholders, and the board members' jobs are also on the line. If the Chinese market shows sufficient market potential, then perhaps it may be acceptable for the firm to make a short-term loss for a period of time. This, however, is a risky strategy, as shown by Telstra's ill-fated venture with PCW, which cost it \$3 billion.

Class Activities

- 1. Look at the mission statements of five companies in the same industry. How do their mission statements differ and how are they alike? Which ones do you believe are good?**

Suggestion: Companies to consider: Apple, Nokia, Samsung, Sony and HTC (mobile communications organisations); or Harvey Norman, Clive Peters, The Good Guys, Retravisson and RT Edwards (electronics/whitegoods retailers). Discuss whether their organisational mission statements reflect a product-oriented or market-oriented direction. Students may also discuss whether their positioning in the market reflects the vision in the company mission statement.

- 2. A business portfolio is the collection of businesses or products that make up the company. Take a look at Ford (<<http://www.ford.com>>). Describe Ford's business portfolio in terms of both businesses and products.**

Suggestion: Explore the Ford website with students to identify their business and product portfolios. This can provide the foundation for a discussion on marketing department organisation (functional/geographic/product/market or customer OR a combination) and which would be more appropriate for this



organisation. Responses may vary, but encourage students to justify their position. For further discussion, use the Boston Consulting Group's growth-share matrix and place Ford's vehicles on the grid. Ask the students to indicate which are the stars, the cash cows, the question marks and the dogs.