

CHAPTER 2

Planning, Implementing, and Evaluating Marketing Strategies

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PURPOSE AND PERSPECTIVE

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

LECTURE OUTLINE

Introduction

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

I. The Strategic Planning Process

- A. Through the process of **strategic planning**, a company establishes an organizational mission and formulates goals, a corporate strategy, marketing objectives, and a marketing strategy.
 - 1. Figure 2.1 shows the various components of the strategic planning process, which begins with the establishment or revision of an organization's mission and goals.
 - 2. The corporation and individual business units then develop strategies to achieve the goals.
 - 3. The company performs a detailed analysis of its strengths and weaknesses and identifies opportunities and threats within the external marketing environment.
 - 4. Each functional area of the organization establishes its own objectives and develops strategies to achieve them, which must support the organization's overall goals and mission and should be focused on market orientation.
- B. Establishing Organizational Mission Statements and Goals
 - 1. Once an organization has assessed its resources and opportunities, it can begin to establish goals and strategies to leverage them.
 - 2. The goals of any organization should derive from its **mission statement**, a long-term view, or vision, of what the organization wants to become.
- C. Developing Corporate and Business-Unit Strategies
 - 1. In most organizations, strategic planning begins at the corporate level and proceeds downward to the business-unit and marketing levels.
 - 2. However, organizations are increasingly developing and conducting strategic planning strategy that moves in both directions.
 - 3. When conducting strategic planning, a firm is likely to seek out experts from many levels of the organization to take advantage of in-house expertise and a variety of opinions.
 - 4. Figure 2.2 shows the relationships between the three planning levels—corporate, business unit, and marketing.
 - 5. Corporate strategy is the broadest of the levels and should be developed with the organization's overall mission in mind.
 - 6. Business-unit strategy should be consistent with the corporate strategy while serving the unit's needs.
 - 7. Marketing strategy utilizes the marketing mix to develop a message that is consistent with

the business-unit and corporate strategies.

D. Corporate Strategies

1. **Corporate strategy** determines the means for utilizing resources in the functional areas of marketing, production, finance, research and development, and human resources to reach the organization's goals.
2. A corporate strategy outlines the scope of the business and such considerations as resource deployment, competitive advantages, and overall coordination of functional areas.
3. Corporate strategy planners are concerned with broad issues such as corporate culture, competition, differentiation, diversification, interrelationships between business units, and environmental and social issues.
 - a. They are also concerned with defining the scope and role of the company's business units so the units coordinate their efforts to reach the ends desired.

E. Business-Unit Strategy

1. A **strategic business unit (SBU)** is a division, product line, or other profit center within the parent company.
2. Each SBU sells a distinct set of products to an identifiable group of customers and each competes with a well-defined set of competitors.
3. Strategic planners should recognize the performance capabilities of each SBU and carefully allocate resources among the divisions.
4. A **market** is a group of individuals and/or organizations that have needs for products in a product class and have the ability, willingness, and authority to purchase those products.
5. The percentage of a market that actually buys a specific product from a particular company is referred to as that product's (or business unit's) **market share**.
6. One of the most helpful tools for a marketer is the market growth/market share matrix, developed by the Boston Consulting Group (BCG).
 - a. This 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.
 - b. To develop such a tool, all of the company's SBUs and products are integrated into a single matrix and compared and evaluated to determine appropriate strategies for individual products and overall portfolio strategies.
 - c. Managers use this model to determine and classify each product's expected future cash contributions and future cash requirements.
 - d. Figure 2.3, which is based on work by the BCG, enables a strategic planner to classify a company's products into four basic types:
 - (1) *Stars*—products with a dominant share of the market and good prospects for growth. They use more cash than they generate in order to finance growth, add capacity, and increase market share. Example: Amazon's Kindle.
 - (2) *Cash cows*—have a dominant share of the market but low prospects for growth. They typically generate more cash than is required to maintain market share. Example: Procter & Gamble's Bounty paper towels.
 - (3) *Dogs*—have a subordinate share of the market and low prospects for growth. Dogs are often found in established markets. Example: The cathode ray tube television would probably be considered a dog by a company like Panasonic, as most customers prefer flat screens.

- (4) *Question marks*—sometimes called “problem children,” have a small share of a growing market and require a large amount of cash to build market share.
Example: Mercedes bicycles are a question mark relative to Mercedes’ automobile product.
 7. The long-term health of an organization depends on having a range of products, some that generate cash (and generate acceptable profits) and others that use cash to support growth.
 8. The major indicators of a firm’s overall health are: the size and vulnerability of the cash cows, the prospects for the stars, and the number of question marks and dogs.
- F. Assessing Organizational Resources and Opportunities
1. The strategic planning process begins with an analysis of the marketing environment, including the industry in which the company operates or intends to sell its products.
 - a. The external marketing environment, which includes economic, competitive, political, legal and regulatory, sociocultural, and technological forces, can threaten an organization and influence its overall goals.
 2. Any strategic planning effort must take into account the organization’s available financial and human resources and capabilities and how these resources are likely to change over time, as changes may affect the organization’s ability to achieve its mission and goals.
 3. Adequate resources can help a firm generate customer satisfaction and loyalty, goodwill, and a positive reputation, all of which impact marketing through creating well-known brands and strong financial performance.
 4. **Core competencies**, things a firm does extremely well, give the company an advantage over competition.
 5. Analysis of the marketing environment also includes identifying opportunities in the marketplace, which requires a solid understanding of the company’s industry.
 6. When the right combination of circumstances and timing permits an organization to take action to reach a particular target market, a **market opportunity** exists.
 7. **Strategic windows** are temporary periods of optimal fit between the key requirements of a market and the particular capabilities of a firm competing in that market.
 8. When a company matches a core competency to opportunities it has discovered in the marketplace, it is said to have a **competitive advantage**.
- G. SWOT Analysis
1. The **SWOT analysis** is used to assess an organization’s strengths, weaknesses, opportunities, and threats (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 over other firms in meeting the needs of its target markets.
 - (2) *Weaknesses* are limitations a company faces in developing or implementing a marketing strategy.
 - b. Opportunities and threats affect all organizations within an industry, market, or geographic region because they exist outside of and independently of the company.
 - (1) *Opportunities* refer to favorable conditions in the environment that could produce rewards for the organization if acted upon properly.

- (2) *Threats* refer to barriers that could prevent the company from reaching its objectives.

H. First-Mover and Late-Mover Advantage

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

I. Developing Marketing Objectives and Marketing Strategies

1. A **marketing objective** states what is to be accomplished through marketing activities.
2. Objectives can be given in terms of product introduction, product improvement or innovation, sales volume, profitability, market share, pricing, distribution, advertising, or employee training activities.
3. Marketing objectives should be based on a careful study of the SWOT analysis, matching strengths to opportunities, eliminating weaknesses, and minimizing threats.

4. Marketing objectives should possess certain characteristics:
 - a. They should be expressed in clear, simple terms so that all marketing and nonmarketing personnel in the company understand exactly what they are trying to achieve.
 - b. They should be measurable, which allows the organization to track progress and compare outcomes against beginning benchmarks.
 - c. They should specify a time frame for its accomplishment
 - d. They should be consistent with both business-unit and corporate strategies
 - e. They should be achievable, use company resources effectively, and successfully contribute to overall corporate strategy
 5. 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.
- J. Selecting the Target Market
1. Selecting an appropriate target market may be the most important decision a company makes in the strategic planning process and is a key to strategic success.
 2. The target market must be chosen before the organization can adapt its marketing mix to meet the customers' needs and preferences.
 3. Careful and accurate target market selection is crucial to productive marketing efforts.
 - a. Products, and even whole companies, sometimes fail because marketers misidentify the best target market for their products.
 4. When exploring possible target markets, marketing managers try to evaluate how entry could affect the company's sales, costs, and profits.
 5. Marketing information should be organized to facilitate a focus on the chosen target customers.
 6. Marketers should assess whether the company has the appropriate resources to develop a marketing mix that meets the needs of the target market.
 7. The size and number of competitors already marketing products in potential target markets are concerns as well.
- K. Creating Marketing Mixes
1. Using all relevant information available to conduct in-depth research allows a firm to select the most appropriate target market, which is the basis for creating a marketing mix that satisfies the needs of that market.
 2. The organization should analyze demographic information, customer needs, preferences, and behaviors with respect to product design, pricing, distribution, and promotion.
 3. Marketing mix decisions should be consistent and flexible.
 - a. Consistency allows the organization to achieve its objectives on all three levels of planning.
 - b. Flexibility permits the organization to alter the marketing mix in response to changes in market conditions, competition, and customer needs.
 4. Utilizing the marketing mix as a tool set, a company can detail how it will achieve a sustainable competitive advantage.
 5. A **sustainable competitive advantage** is one that the competition cannot copy in the foreseeable future.

II. Managing Marketing Implementation

- A. **Marketing implementation** is the process of putting marketing strategies into action.
- B. Through planning, marketing managers provide purpose and direction for an organization's marketing efforts and are positioned to implement specific marketing strategies.
- C. Organizing the Marketing Unit
 - 1. The structure and relationships of a marketing unit, including establishing lines of authority and communication that connect and coordinate individuals, strongly affect marketing activities.
 - 2. Companies that truly adopt the marketing concept develop an organizational culture that is based on a shared set of beliefs that places the customer's needs at the center of decisions about strategy and operations.
 - 3. Firms must decide whether operations should be centralized or decentralized, a choice that directly affects marketing decision making and strategy.
 - a. In a **centralized organization**, top-level managers delegate little authority to lower levels. In centralized organizations, marketing decisions are made at the top levels
 - b. In a **decentralized organization**, decision making authority is delegated as far down the chain of command as possible. Decentralized authority allows the company to adapt more rapidly to customer needs.
 - 4. How effectively a company's marketing management can implement marketing strategies also depends on how the marketing unit is organized.
 - a. Organizing marketing activities to align with the overall strategic marketing approach enhances organizational efficiency and performance.
- D. Motivating Marketing Personnel
 - 1. To motivate marketing personnel, managers must address their employees' needs to maintain a high level of workplace satisfaction.
 - 2. A firm can motivate its workers through a variety of methods, including by linking pay with performance, informing workers how their performance affects department and corporate results and how it affects their own compensation, providing appropriate and competitive compensation, implementing a flexible benefits program, and adopting a participative management approach.
 - 3. Diversity in the workplace can complicate employee motivational strategies, as different generations and cultures may be motivated by different things.
 - 4. Managers can reward employees, not just with money and fringe benefits, but with nonfinancial rewards, such as prestige or recognition, job autonomy, skill variety, task significance, increased feedback, or even a more relaxed dress code.
- E. Communicating within the Marketing Unit
 - 1. Marketing managers must be in clear communication with the firm's upper-level management to ensure that they are aware of the firm's goals and achievements and that marketing activities are consistent with the company's overall goals.
 - a. The marketing unit should also take steps to ensure that its activities are in sync with those of other departments, such as finance or human resources.
 - 2. It is important that communication flow up, from the front lines of the organization to upper management.

- a. Customer-contact employees are in a unique position to understand customers' wants and needs, and pathways should be open for them to communicate this knowledge to marketing managers.
 3. An effective training program provides employees with a forum to learn and ask questions, and results in employees who are empowered and can be held accountable for their performance.
 4. Information systems expedite communications within and between departments and support other activities, such as allocating scarce organizational resources, planning, budgeting, sales analyses, performance evaluations, and report preparation.
- F. Coordinating Marketing Activities
1. Marketing managers must coordinate diverse employee actions to achieve marketing objectives and must work closely with management in many areas, including research and development, production, finance, accounting, and human resources to ensure that marketing activities align with other functions of the firm.
 - a. They must also coordinate the activities of internal marketing staff with the marketing efforts of external organizations, including advertising agencies, resellers (wholesalers and retailers), researchers, and shippers.
 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.
- G. Establishing a Timetable for Implementation
1. Successful marketing implementation requires that employees know the specific activities for which they are responsible and the timetable for completing them.
 2. Establishing an implementation timetable involves several steps:
 - a. Identifying the activities to be performed
 - b. Determining the time required to complete each activity
 - c. Separating the activities to be performed in sequence from those to be performed simultaneously
 - d. Organizing the activities in the proper order
 - e. Assigning responsibility for completing each activity to one or more employees, teams, or managers

III. Evaluating Marketing Strategies

- A. To achieve marketing objectives, marketing managers must evaluate marketing strategies effectively.
- B. **Strategic performance evaluation** consists of establishing performance standards, measuring actual performance, comparing actual performance with established standards, and modifying the marketing strategy, if needed.
- C. Establishing Performance Standards
 1. A **performance standard** is an expected level of performance against which actual performance can be compared.
 2. Marketing objectives directly or indirectly set forth performance standards, usually in terms of sales, costs, or communication dimensions, such as brand awareness or product feature

recall.

D. Analyzing Actual Performance

1. The principle means by which a marketer can gauge whether a marketing strategy has been effective in achieving objectives is by analyzing the actual performance of the marketing strategy.
2. One of the means of analyzing actual performance is by conducting customer research and surveys.

E. Sales analysis

1. **Sales analysis** uses sales figures to evaluate a firm's current performance.
2. It is a common method of evaluation because sales data are readily available; at least in aggregate form, and can reflect the target market's reactions to a marketing mix.
3. Marketers must compare current sales data with forecasted sales, industry sales, specific competitor's sales, and the costs incurred from marketing efforts to achieve the sales volume.
4. Although sales may be measured in several ways, the basic unit of measurement is the sales transaction.
5. A sales transaction results in an order for a specified quantity of the organization's product sold under specified terms by a particular salesperson or sales team on a certain date.
6. Firms frequently use dollar volume in their sales analyses because the dollar is a common denominator of sales, costs, and profits
 - a. A marketing manager who uses dollar-value analysis should factor out the effects of price changes, which can skew the numbers by making it seem that more or fewer sales have been made than is the case.
7. Market share analysis lets a company compare its marketing strategy with competitor's strategies.
 - a. The primary reason for using market share analysis is to estimate whether sales changes have resulted from the firm's marketing strategy or from uncontrollable environmental forces.
 - b. Even though market share analysis can be helpful in evaluating the performance of a marketing strategy, the user must exercise caution when interpreting results.

F. Marketing Cost Analysis

1. **Marketing cost analysis** breaks down and classifies costs to determine which are associated with specific marketing efforts.
2. By pinpointing exactly where a company incurs costs, marketing cost analysis can help isolate profitable or unprofitable customers, products, and geographic areas.
3. A company that understands and manages costs appropriately has a competitive advantage.
4. One way to analyze costs is by comparing a company's costs with industry averages.
 - a. However, a company should take into account its own unique situation.
5. Costs can be categorized in different ways when performing marketing cost analysis.
 - a. One way is to identify which costs are affected by sales or production volume.
 - b. Some costs are fixed costs, meaning they do not change between different units of time, regardless of a company's production or sales volume.
 - c. Some costs are directly attributable to production and sales volume.
 - (1) These are known as variable costs and they are stated in terms of a per quantity (or unit) cost.

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

1. When comparing actual performance with established performance standards, a firm may find that it exceeded or failed to meet performance standard benchmarks.
2. When actual performance exceeds performance standards, marketers will likely be satisfied and a marketing strategy will be deemed effective.
 - a. It is important that a firm seek to gain an understanding of why the strategy was effective because this information may allow marketers to adjust the strategy tactically to be even more effective.
3. When actual performance fails to meet performance standards, marketers should seek to understand why the marketing strategy was less effective than expected.
 - a. Environmental changes or aggressive competitive behavior can both cause a marketing strategy to underperform.
4. When a marketer finds that a strategy is underperforming expectations, a question sometimes arises as to whether the marketing objective, against which performance is measured, is realistic.
 - a. After studying the problem, the firm may find that the marketing objective is indeed unrealistic.
 - b. In this case, marketers must alter the marketing objective to bring it in line with more sensible expectations.

IV. Creating the Marketing Plan

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

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

DISCUSSION STARTERS

Discussion Starter 1: Identifying Core Competencies

ASK: What are McDonald's core competencies?

Many students will focus on food, but the key to McDonald's success is a focus on consistency. McDonald's restaurants all look very similar and serve a very consistent product. Customers know what they will receive, no matter where they are in the world.

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: When do Products Cross the Line?

ISSUE: Should companies be allowed to market potentially harmful products?

Students have likely heard of Four Loko, if not tried it themselves. It was a drink that originally contained both alcohol and caffeine and was linked with a number of alcohol-induced hospitalizations. After the negative publicity surrounding the beverage, it was removed from store shelves and reformulated without caffeine. This is far from the only product to be linked to health and safety problems—and it will not be the last. Have students think of other products they have tried or of which they are aware that may be associated with negative health effects or injury.

Instructors may want to divide the class in half in order to hold a real debate on the issue of marketing potentially unsafe products. Assign half of the class to defend products like Four Loko, and the other half to argue against marketing such products. At the end, ask students what they think of potentially dangerous products that are marketed to consumers.

Discussion Starter 3: 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 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

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 ISSUES FOR DISCUSSION AND REVIEW

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

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

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

A competitive advantage exists when an organization matches its core competency to opportunities it has discovered in the marketplace. One way a firm can achieve a competitive advantage at the corporate level is through corporate mergers. The talents and abilities one corporation possesses can be combined with different competencies of another organization and matched to opportunities in the marketplace. At the business-unit level, an organization can develop a competitive advantage by intensifying growth in those products 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 company's resources and opportunities? How do these issues affect marketing objectives and marketing strategy?

The strategic planning process begins with an analysis of the marketing environment, including economic, competitive, political, legal and regulatory, technological, and 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 is used to assess an organization's strengths and weaknesses, opportunities and threats. This information can be used to develop appropriate strategies for converting weaknesses into strengths, threats into opportunities, and to match internal strengths with external opportunities to develop competitive advantages.

5. How can an organization make its competitive advantages sustainable over time? How difficult is it to create sustainable competitive advantages?

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

6. How should organizations set marketing objectives?

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

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

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

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

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

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

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

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

As part of the strategic planning process, marketers set marketing objectives that indicate what a

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

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

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

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

Following are the major components of a marketing plan:

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

ANSWERS TO MARKETING APPLICATIONS

- 1. You probably are quite familiar with Apple and its highly popular products. You may even own an iPad, iPhone, or iPod. Create a SWOT analysis for Apple. If you need additional information, feel free to visit the company's investor relations webpage at: <http://investor.apple.com/>. Here you will find annual reports, financial performance information, and other data that might help you with your SWOT analysis. When you are finished, find a partner and share your work. Do your SWOT analyses look similar, or are they very different? What did you not think about that your partner did?**

Students' answers may vary. Students should address the internal strengths and weaknesses and the external opportunities and threats that Apple faces currently. The annual reports and the financial statements of the firm, in the form of ratios can help students find out a lot about the liquidity, financial leverage, and profitability of the firm which will help them carry out a good SWOT analysis. Some of the top opportunities for Apple are:

- Technological innovation
- Globalization
- Increased use of PCs, phones, and laptops
- Increased use of the internet
- Innovation

Some of the threats that Apple faces are:

- Recession
- Credit crisis
- Cheaper competitor products
- Product poaching and substitution

- 2. Contact three local companies that appear to be successful (maybe they are expanding to new locations or post financial data online that looks promising). Visit the company's website or contact a company manager to find the company's mission statement and/or organizational goals. 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 its customers? What is its core competency?

- 3. 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.

4. Amazon.com identified an opportunity to capitalize on the convenience of online shopping. Many consumers would rather shop from home and avoid stores. Entering the market during a strategic window gave Amazon.com a competitive advantage in a new market. Consider the opportunities that may be present in your city or your region. 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' answers will vary, but they should focus on matching core competencies to opportunities in the market.

- 5. 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 toothpaste with whitener, a toothpaste with sensitivity protection, a toothpaste with cinnamon flavor
 - A national line offering all types of winter and summer sports clothing for men and women: regions or functions
 - A life insurance company that provides life, health, and disability insurance

Students' answers may vary, but some of them may organize the marketing units as follows:

- Types of customers
- Regions or functions
- Products, types of customers, or regions

- 6. Develop your analytical and communication skills using the Role-Play Exercises Online at www.cengagebrain.com.**

Students can visit the website and develop their analytical and communication skills.

ANSWERS TO INTERNET EXERCISE

Apple

One of Apple's strengths is its website, which is considered to be very well organized and informative. See why by accessing www.apple.com.

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

Students' answer may vary. Apple is known for its well-designed products. It treats every product line as its own business unit. For example, Apple's iPhone, iPad, and iTunes are all examples of Apple's SBUs.

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

Students' answers may vary. Apple's main competitive advantage is its product innovation and differentiation. It provides its customers with advanced product designs, and its offerings draw its customers to an entire range of consumer electronics that integrate into one single platform. Apart from this an effective supply chain management system and an innovative internal organizational structure are the factors that lead to its competitive advantage.

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

Students' answers may vary. They 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 Apple 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 information obtained from the following questions should assist you in developing various aspects of your marketing plan. Develop your marketing plan online using the *Interactive Marketing Plan* 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' answers may vary. They 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.**

Students' answers may vary. 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' answers may vary. They 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 VIDEO CASE 2: HOW WHITE ROCK ADDS MARKETING SPARKLE

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, at their disposal, to compete; consumer demand for sparkling water is low, other 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 should 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?

Students may have different solutions for this question. 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.