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DEVELOPING SUCCESSFUL MARKETING AND ORGANIZATIONAL STRATEGIES

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POWERPOINT RESOURCES TO USE WITH LECTURES¹

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² The slide number references are for the "media rich" PowerPoint presentation for this chapter, which is available only on the *Instructor's Resource CD-ROM*. A "basic" PowerPoint presentation for this chapter that has only textbook figures and image slides can be downloaded from the *Marketing: 11/e* website. See www.mhhe.com/kerin.

POWERPOINT RESOURCES TO USE WITH LECTURES

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³ TV ads, videos, and video cases with QR Codes can be viewed on the *Marketing: 11/e* website, which is www.kerin.tv/. Please note that there **MUST** be the appropriate QR Code reference (qr1-1, qr1-2, qr2-1, qr22-1, etc.) that follows the “/” after www.kerin.tv in the URL. So, to view QR 1-1, the proper URL is www.kerin.tv/qr1-1; to view qr22-5, it is www.kerin.tv/qr22-5.

LEARNING OBJECTIVES (LO)

After reading this chapter students should be able to:

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

KEY TERMS

business p. 30	marketing plan p. 34
business model p.30	marketing strategy p. 42
business portfolio analysis p. 35	marketing tactics p. 42
competitive advantage p. 34	mission p. 29
core values p. 29	objectives p. 30
corporate level p. 26	organizational culture p. 30
cross-functional teams p. 28	points of difference p. 40
diversification analysis p. 37	profit p. 26
functional level p. 28	situation analysis p. 39
goals p. 30	strategic business unit (SBU) p. 28
market segmentation pp. 39-40	strategic marketing process p. 38
market share p. 30	strategy p. 26
marketing dashboard p. 32	SWOT analysis p. 39
marketing metric p. 32	

LECTURE NOTES

WANT TO BE AN ENTREPRENEUR? GET AN “A” IN A CORRESPONDENCE COURSE IN ICE CREAM MAKING!

Entrepreneurs Ben Cohen and Jerry Greenfield “aced” their \$5 college course in ice cream making and headed to Vermont in 1978 to start Ben & Jerry’s. Some facts about their company, which was acquired by Unilever in 2000:

- Buys milk products that are bovine growth hormone-free from a dairy cooperative.
- Uses social entrepreneurship to help nonprofit organizations give jobs to and train at-risk youth and young adults with its PartnerShops programs.
- Practices Fair Trade-certified sourcing of key ingredients.
- Markets its limited edition “Goodbye Yellow Brick Road” ice cream to benefit Sir Elton John’s AIDS Foundation.
- The Ben & Jerry’s website reflects its creative, funky approach to business—linking its prosperity to a concern for social causes.
- Ben & Jerry’s is the market leader in the global ice cream industry, which is expected to reach \$68 billion in sales by 2015.
- Ben & Jerry’s and other companies set goals to give an overall direction to their organizational and marketing strategies.
- The marketing department converts these goals into plans that are implemented and then evaluated.

I. TODAY’S ORGANIZATIONS [LO1]

In studying today’s visionary organizations, one must understand:

- The kinds of organizations that exist.
- What strategy is.
- How strategy relates to the three levels of structure found in many large organizations.

A. Kinds of Organizations

- An *organization* is a legal entity of people who share a common mission.
- Organizations develop *offerings*, which are products, services, or ideas that create value for both the organization and its customers.

- Organizations consist of two types:
 1. A *business firm* is a privately owned organization that serves its customers in order to earn a profit.
 - a. One goal of a business firm is **profit**, which is the:
 - Money left after a business firm's total expenses are subtracted from its total revenues.
 - Reward for the risk it undertakes in marketing its offerings.
 - b. Business firms must earn a profit to survive.
 2. A *nonprofit organization* is a nongovernmental organization that serves its customers but does not have profit as an organizational goal.
 - a. Goals of nonprofit organizations include operational efficiency or client satisfaction.
 - b. Examples of nonprofit organizations include charities and cooperatives.

MAKING RESPONSIBLE DECISIONS

Social Responsibility: Using Social Entrepreneurship to Help People

- Teach for America, SightLife, and Hand in Hand International are examples of “social entrepreneurship.”
- *Social entrepreneurship* applies innovative approaches to organize, create, and manage a venture to solve the practical needs of society. Social entrepreneurs:
 - a. Usually are nonprofit organizations.
 - b. Focus on issues facing people who lack the financial or political means to solve their own problems.

[QR Code 2-1: Teach For America Video]

- **Teach for America.**
 - a. Is a national corps of recent college graduates who commit to teach for two years in urban and rural public schools.
 - b. In the Fall 2011:
 - 9,300 corps members taught throughout the U.S.
 - Nearly 24,000 alumni continue working from inside and outside the field of education for the changes necessary to ensure educational excellence and equity.

- **SightLife.**
 - a. Has a mission “to end cornea blindness.”
 - b. Cornea blindness affects 10 million people globally, who can be cured by transplanting a donated, healthy cornea to replace a diseased one.
 - c. SightLife finds cornea donors and prepares tissues for surgery.
 - d. Hired Tim Schottman to help them create 900 eye banks around the world.
- **Hand in Hand International.**
 - a. Uses microfinance to provide small loans to women in India, South Africa, and Afghanistan who want to start and operate a small business.
 - b. Reaches out to the poorest, least educated, would-be businesswomen:
 - Gives them basic education.
 - Then the skills needed to operate a business.
- The terms *firm*, *company*, *corporation*, and *organization* are used interchangeably to refer to both business and nonprofit operations.
- Organizations that develop similar offerings, when grouped together, create an *industry*, such as the automobile industry or the ice cream industry.
 - a. **[Figure 2-A]** The dynamics of an industry impact the strategic decisions organizations make.
 - b. These strategic decisions create a compelling and sustainable competitive advantage to achieve superior performance for an organization’s offerings.
 - c. Organizations must clearly understand the industry in which they compete.

B. What Is Strategy?

- An organization has limited human, financial, technological, and other resources available to produce and market its offerings—it can’t be all things to all people!
- **Strategy** is organization’s long-term course of action designed to deliver a unique customer experience while achieving its goals.
 - a. All organizations set a strategic direction.
 - b. Marketing helps to set a strategic direction and to move the organization there.

C. Structure of Today’s Organizations

[Figure 2-1] Large organizations are very complex and consist of three levels:

1. **Corporate Level.** Is the level in an organization where top management directs overall strategy for the entire organization. Consists of:
 - a. Board of directors, individuals both inside and outside the organization.
 - b. Chief executive officer (CEO), the highest ranking officer in the organization.
 - CEOs must possess leadership skills.
 - CEOs must have the expertise to:
 - Oversee the organization's daily operations.
 - Spearhead its strategic planning efforts.
 - c. Chief marketing officer (CMO), who is responsible to frame and implement the organization's strategy to achieve its goals.
 - CMOs must think strategically to deliver value to the organization.
 - Most CMOs have multi-industry backgrounds, possess cross-functional expertise, use analytical skills, and have intuitive marketing insights.
2. **Strategic Business Unit Level.** Multimarket, multiproduct firms manage a portfolio or groups of businesses.
 - a. A **strategic business unit (SBU)** refers to a subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined group of customers.
 - b. At the *strategic business unit level*, managers set a more specific strategic direction for their businesses to exploit value-creating opportunities.
 - c. For firms with a single business focus like Ben & Jerry's, the corporate and business unit levels may merge.
3. **Functional Level.** Is the level in an organization where groups of specialists actually create value for the organization.
 - a. A *department* refers to those specialized functions, such as marketing or finance.
 - b. At this level, the strategic direction becomes more specific and focused.
 - c. **Cross-functional teams:**
 - Consist of a small number of people from different departments in an organization...
 - Who are mutually accountable to accomplish a task or common set of performance goals.
 - Senior management may form these teams to develop new or improve existing offerings.

- Sometimes these teams will have representatives from outside the organization, such as suppliers and customers, to assist them.

LEARNING REVIEW

1. What is the difference between a business firm and a nonprofit organization?

Answer: A business firm is a privately owned organization that serves its customers to earn a profit so that it can survive. A nonprofit organization is a nongovernmental organization that serves its customers but does not have profit as an organizational goal. Instead, its goals may be operational efficiency or client satisfaction.

2. What are examples of a functional level in an organization?

Answer: The functional level in an organization is where groups of specialists from the marketing, finance, manufacturing/operations, accounting, information systems, research & development, and/or human resources departments focus on a specific strategic direction to create value for the organization.

II. STRATEGY IN VISIONARY ORGANIZATIONS [LO2]

- Successful organizations must be forward looking—anticipating and responding quickly and effectively to future events.
- **[Figure 2-2]** A visionary organization:
 - a. Specifies its foundation (why does it exist?).
 - b. Sets a direction (what will it do?).
 - c. Formulates strategies (how will it do it?).

A. Organizational Foundation: Why Does It Exist?

- An organization's foundation is its philosophical reason for being—why it exists.
- Successful visionary organizations use this foundation to guide and inspire their employees through their core values, mission, and organizational culture.

1. Core Values.

- a. Are the fundamental, passionate, and enduring principles of an organization that guide its conduct over time.
- b. Are developed by an organization's founders or senior management.
- c. Are consistent with their essential beliefs and character.
- d. Capture the collective heart and soul of the organization.

- e. Serve to inspire and motivate its stakeholders to take productive action.
- f. Held by or communicated to *stakeholders* of an organization, which consist of its employees, shareholders, board of directors, suppliers, distributors, creditors, unions, government, local communities, and customers.
- g. Are timeless and should not change due to short-term financial, operational, or marketing concerns.
- h. Guide the organization's conduct.
- i. Must be communicated and supported by the chief executive officer and board of directors.

2. Mission.

- a. Is a statement of the organization's function in society, often identifying its customers, markets, products, and technologies.
- b. Is shaped by an organization's core values.
- c. Is often used interchangeably with *vision*.
- d. A *mission statement* should be clear, concise, meaningful, inspirational, focused, and long-term.
- e. Medtronic's founder, Earl Bakken, wrote a mission statement half a century ago, and it remains virtually unchanged:

“To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life.”

[QR Code 2-2: Medtronic Video]

- f. Both business firms (Medtronic, Southwest Airlines) and nonprofit organizations (American Red Cross) have compelling mission statements.
- g. *Star Trek* has one of the best-known mission statements:

“To explore strange new worlds, to seek out new life and new civilizations, to boldly go where no one has gone before.”
- h. Mission statements offer a clear, challenging, and compelling picture of an envisioned future.
- i. Some organizations, such as Ben & Jerry's, add a social element to their mission statements to reflect their moral ideals.
- j. Stakeholders are asking organizations to be exceptional citizens by providing long-term value while solving society's problems.

3. Organizational Culture.

- a. An important corporate-level marketing function is communicating its core values and mission to its stakeholders.
- b. An **organizational culture** is the set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization.

B. Organizational Direction: What Will It Do?

[Figure 2-2] shows that the organization's foundation enables it to set a direction, in terms of (1) the "business" it is in and (2) its specific goals.

1. Business.

- a. A **business** describes the clear, broad, underlying industry or market sector of an organization's offering.
- b. An organization defines its business by looking at the set of organizations that sell similar offerings—those that are in direct competition with each other.
- c. The organization answers these questions:
 - "What do we do?"
 - "What business are we in?"
- d. Harvard professor Theodore Levitt's *Marketing Myopia* article states that organizations must not define their business and customer focus too narrowly.
 - Railroads are in the "transportation" business, not the railroad business.
 - Medtronic is in the "healthcare" business, not the medical device business.
- e. Given the increase in global competition and the recent economic crisis, many organizations are rethinking their **business models**, which:
 - Consist of the strategies an organization develops to provide value to the customers it serves.
 - Are often triggered by technological innovation.

MARKETING MATTERS

The Netflix Launch and Its Continually Changing Business Model!

- Netflix is a movie-rental business.
- **The Original Business Model.**
 - a. Initially, Netflix was by mail, not subscription-based.
 - b. In 1999, it became a subscription service, like it is today.

- **Netflix's Changing Business Model.**
 - a. The Netflix "DVDs-by-mail" model delivered movies on DVD for a fixed monthly fee.
 - b. In 2008, Netflix changed its business model:
 - From "Watch Now," which allowed subscribers to watch streaming movies on a PC.
 - To partnering with TiVo, Xbox, and others so subscribers can watch movies on TV using these systems to see one of about 12,000 movies.
 - c. In mid-2011, Netflix changed its business model once again by:
 - Deciding to split the company into two.
 - Introducing controversial new pricing options: DVD only, streaming only, or both.
 - d. In late-2011, Netflix changed its business model once again when customer reaction exploded, Reed Hastings cancelled the plan to separate Netflix's DVD-by-mail business from its movie streaming service.

2. **Goals. Goals or objectives** (used interchangeably) are statements of an accomplishment of a task to be achieved, often by a specific time.
 - a. Goals convert the organization's mission and business into performance targets to measure how well it is doing.
 - b. Business firms pursue several different types of goals:
 - *Profit.* Most firms seek the highest financial return on their investments (ROI) as possible.
 - *Sales* (dollars or units). A firm may elect to maintain or increase sales even though profitability may not be maximized.
 - *Market share.*
 - A firm may choose to maintain or increase its **market share**, which:
 - Is the ratio of sales revenue of the firm to...
 - The total sales revenue of all firms in the industry, including the firm itself.
 - *Quality.* A firm may choose to focus on high quality.
 - *Customer satisfaction.*
 - Customers are the reason an organization exists.
 - Can monitor their satisfaction through surveys or complaints.

- *Employee welfare.*
 - Employees play a critical role in the firm’s success.
 - Goals state the firm’s commitment to good employment opportunities and working conditions.
 - *Social responsibility.* A firm may seek to balance the conflicting goals of its stakeholders to promote their overall welfare, even at the expense of profits.
- c. Nonprofit organizations also set goals:
- Private organizations strive to serve customers efficiently.
 - Government agencies try to serve the public good.

C. Organizational Strategies: How Will It Do It?

[Figure 2-2] shows that the organization’s strategies are concerned with the “how”—the actual results. Strategies can vary in two ways:

1. **Variation by Level.** Moving from the corporate to the strategic business unit to the functional level involves creating increasingly detailed strategies and plans.
2. **Variation by Offering.** The strategy will be far different when marketing a very tangible physical product, a service, or an idea.

LEARNING REVIEW

3. What is the meaning of an organization’s mission?

Answer: A mission is a statement of the organization’s function in society, often identifying its customers, markets, products, and technologies. It is often used interchangeably with *vision*.

4. What is the difference between an organization’s business and its goals?

Answer: An organization’s business describes the clear, broad, underlying industry or market sector of an organization’s offering. An organization’s goals (or objectives) are statements of an accomplishment of a task to be achieved, often by a specific time. Goals convert an organization’s mission and business into long- and short-term performance targets to measure how well it is doing.

D. Tracking Strategic Directions with Marketing Dashboards [LO3]

Marketing dashboards allow marketing managers to know whether they are making progress regarding their strategic direction.

1. Car Dashboards and Marketing Dashboards.

- a. A **marketing dashboard** is the visual computer display of the essential information related to achieving a marketing objective.

- b. A marketing dashboard can also be an Internet-based display with real-time information, and active hyperlinks to provide further detail.
- c. With a marketing dashboard, a marketing manager glances at a graph or table and makes a decision whether to:
 - Take action.
 - Do more analysis to understand the problem better.

2. Dashboards, Metrics, and Plans.

- a. **[Figure 2-3]** Sonatica's marketing dashboard graphically displays key performance indicators linked to its product lines.
- b. Each performance variable is a **marketing metric**, a measure of the quantitative value or trend of a marketing activity or result.
- c. Only a few metrics should be shown on a marketing dashboard so that managers aren't overwhelmed with too much information.
- d. Today's marketers use *data visualization*, which presents information about an organization's marketing metrics graphically so marketers can:
 - Spot deviations from plans.
 - Take corrective actions.
- e. Data visualization tools include graphs, maps, charts, spark line graphs, and others, and provide a snapshot of how parts of a business are performing.
- f. **[Figure 2-3A]** *Website Traffic Sources*.
 - The color-coded perimeter of the pie chart shows the three main sources of website traffic.
 - Each of eight specific sources represented as one slice in the pie.
 - Referral sites at 47%, of which:
 - * Sonatica's Facebook visits comprise 15 percent of website traffic.
 - * Up from a month ago (as shown by the vertical line).
 - Search engines at 37 percent.
 - Direct traffic at 16 percent.
- g. **[Figure 2-3B]** *Sales Performance by SBU*.
 - The *spark lines*:
 - Are the wavy lines in the far left column.
 - Show the 13-month trends of Sonatica's strategic business units.
 - The trends in electronics and peripherals are generally up, causing their sales to exceed their YTD (year to date) targets.

- Conversely:
 - Both software and hardware sales failed to meet YTD targets...
 - Which is noted by the red “warning” circles in the rows at the far right.
 - This suggests immediate corrective actions for the software and hardware SBUs.

h. [Figure 2-3C] Monthly Website Visits by State.

- The U.S. map shows that the darker the state, the greater the number of website visits for the current month.
- Texas has close to 20,000 visits per month, while Illinois has none.

USING MARKETING DASHBOARDS

How Well is Ben & Jerry’s Doing?

Dollar Sales and Dollar Market Share

Marketers use the common sales and market share metrics to measure the performance of their organization’s offerings in the marketplace.

Your Challenge.

As the marketing manager for Ben & Jerry’s, you have been asked to provide a snapshot of the firm’s total super premium ice cream product line performance for the United States. You choose the following marketing metrics: dollar sales and dollar market share.

Scanner data from checkout counters in grocery stores and other retailers shows that the total sales for the super-premium category of ice cream—the segment of the market in which Ben & Jerry’s competes—for 2012 were \$1.25 billion. The Ben & Jerry’s sales department reports that the firm sold 50 million units at an average price of \$5.00 per unit, resulting in total dollar sales of \$250 million.

Your Findings. Dollar sales and dollar market share metrics are calculated as follows:

Sales (\$) = Average Price × Quantity Sold

Sales (\$) = \$5 per Unit × 50 Million Units

Sales (\$) = \$250 Million

$$\text{Market Share (\%)} = \frac{\text{Ben \& Jerry's Sales (\$)}}{\text{Total Industry Sales (\$)}} = \frac{\$250 \text{ million}}{\$1.25 \text{ billion}}$$

Market Share (%) = 0.20 or 20%

Further, your dashboard shows that dollar sales increased by \$10 million from 2011 to 2012, and that dollar market share grew from 18.4 percent to 20.0 percent.

[See CH02SalesMktShare.xls]

Your Action.

These results need to be compared with (1) the goals established for these metrics and (2) with previous years' results to see if the trends are increasing, flat, or decreasing. Marketers also calculate market share based on units sold, if data are available.

- i. Most organizations tie the marketing metrics tracked on their marketing dashboards to the quantitative objectives in their marketing plans.
- j. A **marketing plan** is a road map for the marketing activities of an organization for a specified future period of time, such as one year or five years.
- k. [Figure 2-B] Appendix A provides guidelines for writing a marketing plan.
 - There is no “generic,” one-size-fits-all structure for either a marketing or a business plan.
 - Depends on factors such as the time period, industry, and size and kind of organization involved.

[ICA 2-1: Calculating a “Fog Index” for Your Own Writing]

- l. The elements in a marketing plan and business plan also depend heavily on (1) who the audience is and (2) what its purpose is:
 - A marketing or business plan for an internal audience:
 - Seeks to point the direction for future activities.
 - Is sent to all individuals in the organization who must implement the plan or who will be affected by it.
 - If the plan is directed to an external audience—such as friends, banks, venture capitalists, potential investors—for the purpose of raising capital, it has the additional function of being an important sales document:
 - Contains elements such as the strategic plan/focus, organization, and biographies of key personnel that rarely appear in an internal plan.
 - Has financial information:
 - * That is far more detailed because the plan is used to raise capital.
 - * That tells prospective investors how they will get their money back, earning a profit on their investment.
- m. The format for a marketing plan also depends on:
 - *The kind and complexity of the organization.*
 - A small, local business will have a relatively simple plan.

- A large, hierarchical company will have various levels of detail in a tiered marketing plan.
- *The industry.* Both small and large businesses analyze competition, but the geographical factors and the time factor may be very different.
- n. A **business plan** is a road map for the entire organization for a specified period of time.
 - A business plan contains details on the R&D, operations, or manufacturing activities of the organization.
 - For a manufacturing business, the marketing plan is probably 60 or 70 percent of the entire business plan.
 - For a small business, the marketing and business plans are identical.

III. SETTING STRATEGIC DIRECTIONS [LO4]

Setting strategic directions involves answering two questions:

- Where are we now?
- Where do we want to go?

A. A Look Around: Where Are We Now?

Asking an organization where it is at the present time involves identifying its competencies, customers, and competitors.

1. **Competencies.** Answers the question, “What do we do best?”
 - a. *Core competencies.*
 - Are a firm’s special capabilities—skills, technologies, and resources.
 - Distinguishes them from other firms and provide value to its customers.
 - Should be distinctive enough to provide a competitive advantage.
 - b. A **competitive advantage**: Is a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation.
2. **Customers.** Strategy must provide genuine value and benefits to present and prospective customers to ensure they have a satisfying customer experience.
3. **Competitors.** Globally, the lines among competitive sectors are increasingly blurred. For example:
 - a. Lands’ End started as a catalog retailer and defined other catalog retailers as its competitors.

- b. Part of Sears, Lands' End competes with:
 - Not only other catalog clothing retailers...
 - But also department stores, mass merchandisers, specialty shops, Internet sellers, and...
 - Even itself, with departments within Sears.

B. Growth Strategies: Where Do We Want to Go?

- Knowing where the organization is at the present time enables managers to set a direction for the firm and allocate resources to move in that direction.
- Two techniques to aid in these decisions are (1) business portfolio analysis and (2) diversification analysis.

1. Business Portfolio Analysis.

- a. The Boston Consulting Group's (BCG) uses **business portfolio analysis**, which:
 - Is a technique that managers use to quantify performance measures and growth targets...
 - To analyze its clients' strategic business units (SBUs) as though they were a collection of separate investments.
 - The tool's purpose is to determine whether each SBU or offering is sufficiently appealing to receive a cash infusion.
 - This BCG analysis can also be applied at the product line, individual product (offering), or brand level.
 - Many large U.S. firms have used the BCG's business portfolio analysis.
- b. **[Figure 2-4]** A firm using business portfolio analysis positions each of its SBUs on a growth-share matrix.
 - The vertical axis is the *market growth rate*, which is the annual rate of growth of the SBU's industry.
 - The horizontal axis is the *relative market share*, defined as the sales of the SBU divided by the sales of the largest firm in the industry.
 - A relative market share of **10×** (at the left end of the scale) means that the SBU has 10 times the share of its largest competitor.
 - A share of **0.1×** (at the right end of the scale) means it has only 10 percent of the share of its largest competitor.
 - The area of the circles in a growth-share matrix is proportional to the corresponding SBU's annual sales.

- c. BCG has given names and descriptions to the four quadrants in its growth-share matrix based on the amount of cash they generate for or require:
- *Cash cows* (lower left). SBUs that generate large amounts of cash that can be invested in other SBUs.
 - Have a dominant share of slow-growth markets.
 - Provide cash to cover the organization's overhead.
 - Enable the organization to invest in other SBUs.
 - *Stars* (upper left).
 - Are SBUs with a high share of high-growth market that need extra cash to finance future growth.
 - Are likely to become *cash cows* when their growth slows.
 - *Question marks* or *problem children* (upper right). Are SBUs with a low share of high-growth markets.
 - Require lots of cash to maintain or increase market share.
 - Management must choose which SBUs to invest in and phase out the rest.
 - *Dogs* (lower right). SBUs with a low share of slow-growth markets.
 - May generate enough cash to sustain themselves but do not hold promise of becoming winners for the firm.
 - Management must consider dropping *dogs* unless relationships with other SBUs, competition, or potential strategic alliances exist that benefit the firm.
- d. A firm's SBUs often start as *question marks* and go counterclockwise around Figure 2-4 to become *stars*, then *cash cows*, and finally *dogs*.
- e. When changing an SBU's relative market share, management must decide what strategic role each SBU should have in the future and then inject or remove cash from it.
- f. Kodak provides an example of how new technology and changing consumer tastes force a company to convert a crisis into potential long-run opportunities.
- Until 2000, Kodak relied on its film for the bulk of its revenues and profits.
 - The appearance of digital cameras radically changed Kodak's business forever as film sales began to evaporate.
- g. Four Kodak SBUs are depicted as of early 2003 (red circles) in Figure 2-4.

- h. Its growth-share matrix shows the challenge Kodak faced in the camera and film business with the arrival of digital technology:
- The area of each red circle in Figure 2-4 is roughly proportional to the SBU's 2003 sales revenue.
 - In 2003, Kodak shifted its strategy from film to digital technology.
 - Below is a snapshot of four product lines that were affected by the shift to a digital strategy:
 1. *Kodak digital cameras.*
 - In 2008, about 80% of U.S. consumers owned a digital camera.
 - Why? Because digital cameras are easier to use than film cameras, are cheaper, and allow images to be uploaded and shared online.
 - Kodak's digital camera sales may flatten due to high household penetration, the economic downturn, and increased competition.
 - Kodak remains No. 3 in market share behind Canon and Sony.
 - Kodak expects this SBU to continue to be a *cash cow*, with its new digital camera models generating mainly replacement sales.
 2. *Kodak digital picture frames.*
 - In 2007, Kodak introduced a line of digital picture frames that allowed consumers to upload, store, and view digital images.
 - In 2009, Kodak expanded its line with more than 11 items ranging in price from \$60 to \$180.
 - Global demand has exploded.
 - * Today, Kodak is the market leader—clearly a *star*.
 - * By 2013, sales could approach 50 million units.
 3. *Kodak ink-jet printers and cartridges to print digital photos at home.*
 - In 2008, the ink-jet printer market changed as consumers shifted from single-purpose to multifunction machines designed to print photos, make copies, scan images, and send faxes.
 - Today, Kodak now offers only multifunction models.
 - Kodak's high-quality ink cartridges use special ink that doesn't clog the nozzles of printing heads. The result: In two short years, Kodak has sold over 1 million printers.
 - This product line SBU could be either a *star*, because of the growth potential, a *question mark* because of huge market leader HP, or a *dog*, if consumers don't buy the items.
 - This SBU may turn into a *dog* because online printing and sharing have taken off and may soon reach \$1 billion.

4. *Kodak film.*

- Was an \$8 billion *cash cow* but film sales declined to \$500 million by 2009, making it a *dog*!
- Is now in a free fall because of digital cameras.
- Experts believe film sales will evaporate by 2012.

i. Business portfolio analysis strengths:

- Forces a firm to place each of its SBUs in the growth-share matrix.
- Suggests which SBUs will be future cash producers and users.

j. Business portfolio analysis weaknesses:

- Is difficult to get and incorporate the needed competitive information.
- Difficult to incorporate competitive data into business portfolio analysis.

2. Diversification Analysis.

a. **Diversification analysis** is a technique that helps a firm search for growth opportunities from among current and new markets as well as current and new products.

- For any market, there is both a current product (what the firm now sells) and a new product (something the firm might sell in the future).
- For any product, there is both a current market (existing customers) and a new market (potential customers).

b. Market-product grid analysis covered in Chapter 9 shows firms often view growth opportunities in terms of markets and products.

[QR Code 2-3: B&J's Bonnaroo Buzz Ad]

c. [Figure 2-5] This results in four market-product strategies:

- *Market penetration.*
 - Involves a marketing strategy to increase sales of current products in existing markets.
 - There is no change in the basic product line or the market served.
 - Increased sales to existing customers are possible either by selling:
 - * More of the product through better promotion or distribution.
 - * The same amount of the product at a higher price.
- *Market development.*
 - Involves selling current products to new markets.
 - Is risky if the firm has no experience selling in the new market.

- *Product development.*
 - Involves selling a new product to current markets.
 - Is risky because customers may not see a clear connection between a company's expertise in one offering transferring to another.
- *Diversification.*
 - Involves developing new products and selling them in new markets.
 - Is a potentially high-risk strategy because the company has neither previous production nor marketing experience on which to draw.

LEARNING REVIEW

5. What is the difference between a marketing dashboard and a marketing metric?

Answer: A marketing dashboard is the visual computer display of the essential information related to achieving a marketing objective. Each variable in a marketing dashboard is a marketing metric, which is a measure of the quantitative value or trend of a marketing activity or result.

6. What is business portfolio analysis?

Answer: Business portfolio analysis is a technique that managers use to quantify performance measures and growth targets to analyze its clients' strategic business units (SBUs) as though they were a collection of separate investments.

7. Explain the four market-product strategies in diversification analysis.

Answer: The four market-product marketing strategies in diversification analysis are:

- *Market penetration.* Increasing sales of current products in current markets. There is no change in either the basic product line or the markets served. Rather, selling more of the product or selling the product at a higher price generates increased sales.
- *Market development.* Selling current products to new markets.
- *Product development.* Selling new products to current markets.
- *Diversification.* Developing new products and selling them in new markets.

IV. THE STRATEGIC MARKETING PROCESS [LO5]

- After the organization assesses where it's at and where it wants to go, it asks:
 1. How do we allocate our resources to get to where we want to go?
 2. How do we convert our plans into actions?
 3. How do our results compare with our plans, and do deviations require new plans?

- The approach used to answer these questions is the **strategic marketing process**, whereby an organization allocates its marketing mix resources to reach its target markets.
- **[Figure 2-6]** This process is divided into three phases: planning, implementation, and evaluation.

A. The Planning Phase of the Strategic Marketing Process

The planning phase consists of three steps as outlined below.

1. Step 1: Situation (SWOT) Analysis.

- a. A **situation analysis** involves taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends affecting it.
- b. **[Figure 2-7]** A **SWOT analysis** is an acronym describing an organization's appraisal of its internal **S**trengths and **W**eaknesses and its external **O**pportunities and **T**hreats.
- c. A SWOT analysis studies four areas of the planning phase and helps form a firm's marketing program:
 - Identifying trends in the firm's industry.
 - Analyzing the firm's competitors.
 - Assessing the organization itself.
 - Researching the organization's present and prospective customers.
- d. The Ben & Jerry's SWOT analysis table in Figure 2-7 has four cells formed by:
 - The combination of internal versus external factors (the rows).
 - Favorable versus unfavorable factors (the columns).
 - That summarizes Ben & Jerry's strengths, weaknesses, opportunities, and threats.
- e. The Ben & Jerry's SWOT analysis suggests the following:
 - *Build on a strength.* Find distribution efficiencies with Unilever's existing ice cream brands.
 - *Correct a weakness.* Recruit experienced managers from other consumer products firms to help stimulate growth.
 - *Exploit an opportunity.* Develop a new line of low-fat frozen yogurts to respond to consumer health concerns.
 - *Avoid a disaster-laden threat.* Focus on less risky international markets, such as Canada and Mexico.

2. Step 2: Market-Product Focus and Goal Setting.

- a. Developing a marketing program involves determining what products will be targeted at which customers.
- b. This decision often based on **market segmentation**, which involves aggregating prospective buyers into groups, or segments, that (1) have common needs and (2) will respond similarly to a marketing action.
- c. A firm can identify the segments on which it will focus its efforts—its target market segments—and develop specific marketing programs to reach them.
- d. Goal setting involves setting measurable marketing objectives to be achieved.
 - For a specific market, the goal may be to introduce a new product.
 - For a specific brand or product, the goal may be to create a promotional campaign or pricing strategy to get more consumers to purchase.
- e. Medtronic's 5-year plan for its Champion heart pacemaker is to reach the "affordable and reliable" Asian segments:
 - *Set marketing and product goals.* Design and market such a pacemaker in three years for the Asian market.
 - *Select target markets.* The Champion pacemaker will be targeted at cardiologists and medical clinics in India, China, and other Asian countries.
 - *Find points of difference.*
 - **Points of difference** are characteristics of a product that make it superior to competitive substitutes.
 - For the Champion pacemaker:
 - * They are high quality, long life, reliability, ease of use, and low cost.
 - * NOT state-of-the-art features that drive up production costs.
 - *Position the product.*
 - The pacemaker will be "positioned" in cardiologists' and patients' minds as a medical device that is high quality and reliable with a long, nine-year life.
 - The "Champion" name was selected after testing acceptable names in Asia.

3. Step 3: Marketing Program.

- a. This step is the "*how*" aspect of the planning phase: developing the marketing program's marketing mix and the budget.

- b. **[Figure 2-8]** The components of each marketing mix element that comprise a cohesive marketing program.
- c. Example: Medtronic's Champion heart pacemaker.
- *Product strategy.* Offer a Champion brand pacemaker with features needed by Asian patients.
 - *Price strategy.* Manufacture the Champion to control costs to price it below \$1,000 (U.S.).
 - *Promotion strategy.* Demonstrate the Champion at medical conventions across Asia.
 - *Place (distribution) strategy.* Search out and train reputable medical distributors across Asia to call on cardiologists and medical clinics.
- d. Putting a marketing program into effect requires the development of a sales forecast and a budget that is approved by top management.

[ICA 2-2: Marketing Yourself]

LEARNING REVIEW

8. What are the three steps of the planning phase of the strategic marketing process?

Answer: The three steps of the planning phase of the strategic marketing process are:

- *Situation (SWOT) analysis.* Involves taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends affecting it. To do this, an organization uses a SWOT analysis, an acronym that describes an organization's appraisal of its internal Strengths and Weaknesses and its external Opportunities and Threats.
- *Market-product focus and goal setting.* Determines what products an organization will offer to which customers. This is often based on market segmentation—aggregating prospective buyers into groups or segments that have common needs and will respond similarly to a marketing action.
- *Marketing program.* Is where an organization develops the marketing mix elements and budget for each offering.

9. What are points of difference and why are they important?

Answer: Points of difference are those characteristics of a product that make it superior to competitive substitutes—offerings it faces in the marketplace. They are important factors in the success or failure of a new product.

B. The Implementation Phase of the Strategic Marketing Process [LO6]

- The second phase of the strategic marketing process involves carrying out the marketing plan that emerges from the planning phase.
- The implementation phase has four components:
 1. **Obtaining Resources.** The marketing manager must obtain the people and money necessary to succeed.
 2. **Designing the Marketing Organization.** A marketing program needs a marketing organization to implement it and to convert marketing plans into reality.
 - a. **[Figure 2-9]** The product or brand managers and their subordinates help plan, implement, and evaluate the marketing plans for their firm's offerings.
 - b. The entire marketing organization is responsible for converting these marketing plans to reality as part of the corporate marketing team.
 3. **Developing Planning Schedules.** To implement marketing plans, marketing department members must:
 - a. Hold meetings to identify the tasks that needed to be done.
 - b. Identify the tasks that needed to be done.
 - c. Determine the time you can reasonably allocate to each one.
 - d. Identify the people responsible.
 - e. Establish the deadlines for their accomplishment.
 4. **Executing the Marketing Program.** The effective execution of a marketing plan requires attention to detail for both marketing strategies and marketing tactics.
 - a. A **marketing strategy** is the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it.
 - b. **Marketing tactics** are detailed day-to-day operational decisions essential to the overall success of marketing strategies.

C. The Evaluation Phase of the Strategic Marketing Process

- The evaluation phase of the strategic marketing process seeks to keep the marketing program moving in the direction set for it.
- It requires the marketing manager to focus on two key elements:
 1. **Comparing Results with Plans to Identify Deviations.** Example: Kodak's actual and planned sales from 2003 to 2012.

- a. **[Figure 2-10]** Kodak's sales revenues from 1998 through 2003, or line AB in exhibit a very flat trend.
 - b. Extending the 1998–2003 trend to 2012 along line BC shows very flat sales revenues, a totally unacceptable, no-growth strategy.
 - c. Kodak's growth target of 5 to 6 percent annually, the line BD, would give sales revenues of about \$15 billion in 2006 and about \$24 billion in 2012.
 - d. This reveals a wedge-shaped *planning gap*, which:
 - Is the difference between the projection of the path to reach a new goal (line BD) and...
 - The projection of the path of the results of a plan already in place (line BC).
 - e. The ultimate purpose of the firm's marketing program is to "fill in" this planning gap (wedge DBC).
 - Must move its future sales revenue line from the no-growth line BC up to the challenging target of line BD.
 - But poor performance:
 - Results in actual sales being far less than the targeted levels.
 - The actual situation Kodak faced in 2011 (line BE), where sales were about \$6 billion.
 - f. This is the essence of evaluation: comparing actual results with goals set.
 - g. Good or poor performance can result in actual sales revenues being above or far less than the targeted levels, which requires managers to take actions.
 - h. In 2003, Kodak used trend extrapolation to project the historic trend through 2012.
 - The discrepancy between line BC (the trend extrapolation) and BE (Kodak's actual annual sales revenues) shows that serious forecasting problems can occur.
 - In this case, Kodak failed to anticipate the drastic decline in sales of its film and film cameras due to sociocultural, economic, and technological changes in the marketplace.
2. **Acting on Deviations.** When evaluation shows that actual performance fails to meet expectations, managers need to take corrective actions by:
- a. *Exploiting a positive deviation.*
 - When actual results are far better than the plan called for, managers find ways to exploit the situation.

- For Kodak, it might try to move quickly to offer their innovative digital camera products to international customers.
- b. *Correcting a negative deviation.***
- When actual performance fails to meet expectations, managers need to:
 - Modify the marketing mix elements to...
 - Develop a new marketing program for the offering.
 - For Kodak, it may need to reduce prices if Panasonic is able to surpass Kodak in global market share of digital cameras.

LEARNING REVIEW

10. What is the implementation phase of the strategic marketing process?

Answer: The implementation phase carries out the marketing plan that emerges from the planning phase and consists of: (1) obtaining resources; (2) designing the marketing organization; (3) developing planning schedules; and (4) executing the marketing program designed in the planning phase.

11. How do the goals set for a marketing program in the planning phase relate to the evaluation phase of the strategic marketing process?

Answer: The planning phase objectives are used as the benchmarks with which the actual performance results are compared in the evaluation phase to identify deviations from the written marketing plans and then correct negative ones or exploit positive ones.

APPLYING MARKETING KNOWLEDGE

1. (a) Using Medtronic as an example, explain how a mission statement gives a strategic direction. (b) Create a mission statement for your own career.

Answers:

- a. **Explain how a mission statement gives a strategic direction.** A mission statement is an expression of the organization's function in society, often identifying its customers, markets, products, and technologies. Medtronic's mission statement is "to contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life." The "rising mural" in its headquarters powerfully communicates the inspiration and focus of its mission to its stakeholders: employees, doctors, and patients alike. Moreover, it appears on a medallion that is presented to each new employee. Finally, each December five or six patients and their physicians describe to assembled employees how Medtronic products have changed their lives. These activities send clear messages to employees and other stakeholders about Medtronic's strategic direction.
 - b. **Create a mission statement for your own career.** An example of a mission statement for a student's career might be: "To be recognized as an outstanding, ethically and environmentally responsible, global marketing executive."
2. **What competencies best describe (a) your college or university and (b) your favorite restaurant?**

Answers:

- a. **Your college or university.** [NOTE: These vary along a continuum from community colleges to research universities.] Flexible course scheduling to accommodate the special needs of part-time and working students. A world-class research institution for biotechnology; student-oriented faculty.
 - b. **Your favorite restaurant.** Genuine French cuisine. A family menu at a reasonable price.
3. **Why does a product often start as a question mark and then move counterclockwise around the BCG's growth-share matrix shown in Figure 2-4?**

Answer: When a product is introduced, it is usually a "question mark" because it is "new" and there is uncertainty about consumers' acceptance of it. After a period of time, depending on the product category, the "not-so-new" product could be classified as a "star" if its growth rate is sizeable and has a significant share of the product category. If the growth rate in the product category falls substantially and there is great competition from competing brands, the product probably will fall in the "cash cow" category. If, however, the product isn't supported with an effective marketing program, it could become a "dog."

4. **Select one strength, one weakness, one opportunity, and one threat from the SWOT analysis for Ben & Jerry's shown in Figure 2-7. Suggest an action that a marketing manager there might take to address each factor.**

Answers:

- a. **Strength.** Leverage its brand name by continuing to offer crazy new flavors, products (ice cream, yogurt, sorbet, low-fat/carb, etc.). Promote its social mission in college campus newspapers in cities where Ben & Jerry's is sold, either in its own outlets or in grocery stores.
 - b. **Weakness.** Communicate the benefits of Ben & Jerry's social mission (number of people employed, trained, etc.). Develop and implement a management trainee program for those employees willing to make a long-term commitment to the firm.
 - c. **Opportunity.** Develop partnerships or franchise relationships with firms or individuals in markets where Ben & Jerry's has not yet fully penetrated, such as South America, Australia, etc. where ice cream consumption is moderate to strong. Also, develop ice cream-based products, such as ice cream sandwiches, cookies, cakes, etc.
 - d. **Threat.** Offer low-carb products with Splenda or other sugar substitutes. Find lower cost but socially responsible "Fair Trade" suppliers and manufacturers in overseas markets where consumers are more price-sensitive due to less income to spend on discretionary products like super premium ice cream.
5. **What is the main result of each of the three phases of the strategic marketing process? (a) planning, (b) implementation, and (c) evaluation.**

Answers:

- a. **Planning phase.** Results are formal marketing plans that identify specific objectives to be achieved by a particular time and the specific actions to achieve those objectives.
 - b. **Implementation phase.** Results are formal measurements of the results achieved, which can be compared with the plans established in the planning phase to determine if any deviations from plans occurred.
 - c. **Evaluation phase.** Results are new actions taken to exploit opportunities where deviations from plans are better than expected or to take corrective actions where deviations from plans are worse than expected.
6. **The goal-setting step in the planning phase of the strategic marketing process sets quantified objectives for use in the evaluation phase. What does a manager do if measured results fail to meet objectives? Exceed objectives?**

Answers:

If the marketing manager discovers a planning gap, which is a difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place for the marketing program, he or she can take the following actions:

- a. **Fails to meet objectives.** Correct a negative deviation by making minor or major changes to the existing marketing program of a product to better reflect future expectations in the marketing environment.
- b. **Exceeds objectives.** Exploit a positive deviation by strengthening strategic partnerships, engage in a market development or product development strategy, etc. to maintain or enhance the firm's position.

BUILDING YOUR MARKETING PLAN

1. **Read Appendix A, “Building an Effective Marketing Plan.” Then write a 600-word executive summary for the Paradise Kitchens marketing plan using the numbered headings shown in the plan. When you have completed the draft of your own marketing plan, write a 600-word executive summary to go in the front of your own marketing plan.**

Suggestions: In Question #1, students are asked to write a 600-word executive summary for the Paradise Kitchens marketing plan in Appendix A. This gives them a chance to practice a draft of an executive summary for their own marketing plan. A 600-word executive summary for the Appendix A marketing plan appears below.

FIVE-YEAR MARKETING PLAN FOR PARADISE KITCHENS, INC.

1. Executive Summary

2. Company Description

Paradise Kitchens was started in 1989 to develop and market Howlin’ Coyote Chili.

3. Strategic Focus and Plan

Three key aspects of the company’s corporate strategy:

- **Mission/Vision.** Howlin’ Coyote Chili intends to market the highest-quality line of single serve and microwaveable Southwestern/Mexican-style frozen chili products.
- **Goals.**
 - a. Nonfinancial goals include: retaining its high quality image; entering 17 new metropolitan markets; achieving nationwide distribution in two convenience store or supermarket chains by 2012 and five by 2013; adding a new product line every third year; and being among the top five chili lines in one-third of the metro markets in which it competes by 2013 and two-thirds by 2015.
 - b. Financial goals include: achieving a real growth in earnings per share of 8 percent per year over time; obtaining a return on equity of at least 20 percent; and having a public stock offering by 2013.
- **Core Competency and Sustainable Advantage.** Paradise Kitchens seeks to
 - (1) provide distinctive, high-quality chili and related products using Southwestern/Mexican recipes that appeal to and excite contemporary tastes and
 - (2) use effective manufacturing and distribution systems that maintain high quality standards to deliver its products to consumers.

4. Situation Analysis

An analysis of Paradise Kitchens’ marketing environment reveals:

- **SWOT Analysis.** The Company's favorable internal factors are an experienced management team, excellent acceptance in its three metropolitan markets, and a strong manufacturing and distribution system. Favorable external factors include increasing appeal of Southwestern/Mexican foods, a strong upscale market for the Company's products, and a desire for convenience. The main weaknesses are Paradise Kitchens' small size relative to its competitors in terms of depth of management team, its limited financial resources to respond to growth opportunities and competitive actions, lack of national awareness and distribution of product lines, and lack of food processing expertise. Threats include the danger that the Company's premium prices may limit access to mass markets and competition from the eat-out and take-out markets.
- **Industry Analysis.** There is a rising trend in frozen foods in general and spicy and Mexican foods in particular. The Mexican entree market represents over \$506 million in annual sales of the \$29 billion total frozen food sales due in part to the increase of the Hispanic population in the U. S., which reached 48 million and almost \$978 billion in purchasing power in 2009.
- **Competitors in the Chili Market.** The chili market is also a \$500 million market in the U.S. and is divided into two segments: canned chili, sold by Hormel, Dennison, Campbell's, and others (75%), and dry chili, sold by Lowry's, Stagg, etc. (25%). Bush, a major marketer of beans, now sells chili in a glass jar. Canned chili does not taste very good. Dry chili requires consumers to add their own meat, beans, and tomatoes, taking more preparation time.
- **Company Analysis.** The principals of the firm have extensive consumer packaged food experience.
- **Customer Analysis.** Howlin' Coyote households consist of one to three people. Among married couples, both spouses work. Although a majority of buyers are women, single men represent a significant segment. Teenage boys devour it. Because chili is a quick and tasty meal, the product's biggest users tend to be those pressed for time. Premium pricing also means that purchasers are skewed toward the higher end of the income range: \$50,000 and above. Buyers range in age from 25 to 54. The high caloric level of much Mexican and Southwestern-style food has been widely reported and often exaggerated. Less certain is any link between such reports and consumer buying behavior. Therefore, while Howlin' Coyote is lower in calories, fat, and sodium than its competitors, those qualities are not being stressed in promotion. Instead, taste, convenience, and flexibility are stressed.

5. Market-Product Focus

A five-year marketing and product objectives for Paradise Kitchens and Howlin' Coyote chili includes:

- **Marketing and Product Objectives.** Paradise Kitchens will expand its brand at the retail level by increasing consumer awareness and repeat purchases, adding several new markets by Year 5, increasing food service sales, and adding new frozen food products.

- **Target Markets.** The primary market is 1 to 3 person households with incomes of at least \$50,000.
- **Points of Difference.** Howlin' Coyote chili is superior to those offered by competitors based on its taste, convenience, and packaging.
- **Positioning.** Howlin' Coyote chili is both tasty and easily and quickly prepared for today's consumer.

6. Marketing Program

The marketing program applies the information summarized above, as shown below:

- **Product Strategy.** Emphasize high quality and flavor; packaging is distinctive art communicating out-of-the ordinary positioning.
- **Price Strategy.** Priced comparably with other frozen chili, higher than canned or dry—but worth it.
- **Promotion Strategy.** Use in-store demonstrations, recipes, and cents-off coupons.
- **Place (Distribution) Strategy.** Continue to use a food distributor until sales grow enough to justify shifting to a more efficient system using a broker.

7. Financial Data and Projections

The marketing plan provides past sales revenues for 2001-2011 along with five-year financial projections for 2012-2016.

8. Organization

The marketing plan also outlines an organization chart and staffing plan.

9. Implementation Plan

Paradise Kitchens will use a five-year rollout schedule to enter new U.S. markets. The plan will be monitored to assess whether minor modifications may be required in chili recipes for different metropolitan areas. Comparing actual versus target monthly sales by metropolitan area will provide evaluation and control. Tactical marketing programs will be modified to reflect unique factors in each area.

10. Evaluation and Control

Actual case sales will be compared with monthly targets and tactical marketing programs modified to reflect the unique sets of factors in each metropolitan area. The speed of the rollout program will depend on Paradise Kitchens' performance in the metropolitan markets it enters. Finally, Paradise Kitchens will respond to variations in regional tastes.

Appendix A. Biographical Sketches of Key Personnel

Appendix B. Detailed Financial Projections

2. **Using Chapter 2 and Appendix A as guides, give focus to your marketing plan by (a) writing your mission statement in 25 words or less, (b) listing three nonfinancial goals and three financial goals, (c) writing your competitive advantage in 35 words or less, and (d) doing a SWOT analysis table.**

Suggestions: Question #2 asks students to get a jump start on writing their marketing plan by putting on paper their mission statement, non-financial and financial goals, competitive advantage for the organization, and a SWOT analysis. This is a very threatening first step for many students. To assist students in writing effective marketing plans, instructors should emphasize to students the importance of (a) reading the pertinent chapter(s) in the textbook that relates to the element of the marketing plan and (b) studying the red and blue boxes in the margin of the Appendix A Sample Marketing Plan that gives hints on effective writing and identifies relevant textbook chapters, respectively.

3. **Draw a simple organization chart for your organization.**

Helping with Common Student Problems

Our experience from working with thousands of students writing marketing plans is the need to encourage them to (a) get started and get something on paper and (b) be specific. One way to accomplish this is to have students hand in a two-page draft of the start of their marketing plan containing the four items listed above in Question #2.

Our experience is that it is useful to have instructors make comments directly on this draft using the grading standard (perhaps using the grading sheet shown in the Instructor's Resource Manual) marketing plan—but not give an actual grade on the two-page draft. This forces the student to get started and get something on paper and also lets them receive constructive suggestions from the instructor without the threat of a grade. We suggest the two-page draft be submitted the class period after the 7-5-3 class presentations.

TEACHING NOTE FOR VIDEO CASE 2

IBM: Using Strategy to Build a “Smarter Planet”

This case describes how IBM’s Smarter Planet initiative is (1) encapsulated to the company’s mission and values, (2) translated into a business strategy, and (3) implemented in a coherent and comprehensive fashion for companies in a variety of industries. Interviews with senior IBM executives explain how this is done from both a conceptual and practical perspective.

Synopsis

Show Slide 2-48. IBM was founded in 1911, when several business machine companies merged to form the Computing-Tabulating-Recording Company (CTR). The company had 1,300 employees and sold scales, time recorders, meat and cheese slicers, and tabulators. In 1914, Thomas J. Watson, Sr. joined the company as general manager and implemented several important business practices including a focus on customer service, conservative dress for salespeople, development of large-scale custom-built solutions for businesses, and a positive, professional outlook communicated by his favorite slogan “THINK.”

As CTR grew it offered new products such as an electric adding machine and a punch card press, and, as a result, it adopted the name International Business Machines from one of its Canadian subsidiaries. Blue covers on the computers, blue letters in the IBM logo, and dark blue suits worn by IBM salespeople, led to the now popular company nickname, “Big Blue.” Today, *Fortune* magazine ranks IBM as the 18th largest company in the United States with sales of \$99.8 billion and 426,000 employees in more than 200 countries. *Forbes* magazine ranks IBM as the fourth most valuable brand in the world.

In support of its mission IBM developed an overarching strategy called “Building a Smarter Planet.” The Smarter Planet initiative is designed for clients who value IBM’s industry and process expertise, systems integration capability, and research capacity. In addition, IBM created a Smarter Planet marketing plan to describe the company’s view of the next era of information technology and its impact on business and society.

Teaching Suggestions

Students can use the case information, the IBM corporate home page (www.ibm.com), the IBM Smarter Planet website (www.ibm.com/smarterplanet), and their own perceptions of IBM and observations of the Smarter Planet campaign.

1. Ask your students about their perceptions of IBM, what business it is in, and what its mission might be.
2. Ask your students to describe their perceptions of changes in the environment that would be important to IBM. Are they aware of declining trade barriers, the growth of developing economies, and the impact of the World Wide Web?
3. Some students may remember seeing “Smarter Planet” ads on television or in magazines. Ask them to describe the ads and how they represent a strategy at IBM.

[QR Code 2-4: IBM Video Case]

Answers to Questions

1. What is IBM's "Smarter Planet" business strategy? How does this strategy relate to IBM's mission and values?

Answers:

The strategic marketing process consists of three phases—planning, implementation, and evaluation. The planning phase consists of three steps—situation analysis, goal setting, and the marketing program. IBM used the strategic marketing process by applying each of the three steps in the planning phase to develop its "Smarter Planet" strategy.

- a. **What is IBM's "Smarter Planet" business strategy?** A strategy is an organization's long-term course of action designed to deliver a unique customer experience while achieving its goals. IBM's "Smarter Planet" business strategy is based on the idea that the next major revolution in the global marketplace will be the instrumentation and integration of the world's processes and infrastructures generating unprecedented amounts of data. This knowledge can help reduce costs, cut waste, improve efficiency, and increase productivity for companies, industries, and cities.
- b. **How does this strategy relate to IBM's mission and values?** This strategy complements IBM's expressed mission and values. IBM's mission statement (stated in the case) is to:
 - Strive to lead in the invention, development and manufacture of the industry's most advanced information technologies, including computer systems, software, storage systems, and microelectronics.
 - Translate these advanced technologies into value for our customers through our professional solutions, services, and consulting businesses worldwide.

IBM's values (stated in the case) emphasize:

- Dedication to every client's success.
- Innovation that matters—for our company and for the world.
- Trust and personal responsibility in all relationships.

The "Smarter Planet" strategy clearly promotes leadership in the delivery of information technologies that provide valued customer solutions (mission) and a commitment to the customers' success through meaningful innovation, and professional behavior.

2. Conduct a SWOT analysis for IBM's Smarter Planet initiative. What are the relevant trends to consider for the next three to five years?

Answers:

As the first step in the planning phase of the strategic marketing process, a SWOT analysis is part of a situational analysis a firm conducts to: (1) identify industry trends; (2) analyze competitors; (3) assess itself; and (4) research consumers (see Chapter 2). SWOT is an acronym that describes an organization's appraisal of its internal **S**trengths and **W**eaknesses and its external **O**pportunities and **T**hreats.

Answers:

a. **A SWOT analysis for IBM's Smarter Planet initiative.** Listed below is a brief, non-exhaustive SWOT analysis for IBM and its "Smarter Planet" initiative or strategy:

- **Strengths.**
 - Well-known global brand name.
 - New technologies and patents.
 - A planning process that included online discussions among 50,000 employees.
 - A clear concise mission statement.
- **Weaknesses.**
 - IBM's size may make change difficult.
 - Products such as PCs and hard disk drives are becoming commodities and are not customizable.
 - Once the values, mission, and strategy are determined employees must create the detailed plans for accomplishing them.
- **Opportunities.**
 - Growth markets such as China, India, Brazil and Africa.
 - Business analytics and optimization.
 - Cloud and smarter computing.
 - Connectivity.
- **Threats.**
 - Shift to custom-made technological solutions.
 - Demand for Smarter Planet solutions will depend on interest in change rather than just reaction to problems.
 - Demonstrating success will require accurate and timely measurement of relevant outcomes.

b. **The relevant trends IBM should consider for the next three to five years.**

- **Environmental Trends.**
 - Fewer trade barriers.
 - Growth of developing economies.
 - Increasing access to the World Wide Web.
- **Customer Trends.**
 - Desire for a “globally integrated enterprise.”
 - Desire for “connectivity across technologies.”
 - Desire for “custom-made technological solutions.”

3. **How can IBM communicate its strategy to companies, cities, and governments? How is Watson a part of the communication strategy?**

Answers:

- a. **Communicating IBM’s strategy to companies, cities, and governments.** IBM’s marketing and communications professionals developed a marketing plan that included:
- A “Letter from the Chairman” Sam Palmisano, describing how the Smarter Planet initiative represented an infusion of intelligence into the way the world actually works.
 - Print and television advertising focusing on IBM’s ability to improve the world now.
 - Website information that included videos, statistics, and industry reports.
 - Publicity events, such as the appearance of the IBM computer named “Watson” on the TV game show Jeopardy!
- b. **Using Watson a part of IBM’s communication strategy.** While there may be short-term costs involved in shifting IBM from commodity-based businesses to customizable businesses, IBM believes that the transformation will provide growth for the company and its employees, success for its customers, and improved value for its stockholders.

4. **What are the benefits of the Smarter Planet initiative to (a) society and (b) IBM?**

Answers:

- a. **Benefits to society.** IBM’s Smarter Planet strategy benefits society by providing solutions for forward-thinking organizations that share a common outlook: they see change as an opportunity and they act on possibilities, not just react to problems. The solutions also help reduce costs, cut waste, improve efficiency, and increase productivity for companies, industries, and cities.
- b. **Benefits to IBM.** While there may be short-term costs involved in shifting IBM from commodity-based businesses to customizable businesses, IBM believes that the transformation will provide growth for the company and its employees, success for its customers, and improved value for its stockholders.

5. How should IBM measure the results of the Smarter Planet strategy?

Answer:

Since introducing the Smarter Planet strategy, IBM has collaborated with more than 600 organizations around the globe. In each case, there are different measures of the results of “smart” solutions. These include reduced traffic congestion, reduced inventory levels, and improved customer service. The U.S. Department of Energy measured power usage and found that consumers with smart electric meters saved 10 percent on their power bills. Retailers who implemented smart systems cut supply chain costs by 30 percent, reduced inventory levels by 25 percent, and increased sales by 10 percent. The Memphis Police Department reduced crime by 28 percent.

Epilogue

IBM was recently ranked number two (behind Coke) in Interbrand’s brand valuation survey with a value of \$70 billion. The company has become an excellent example of how to manage change in a large company at a time when small business start-ups and entrepreneurs are the focus of media attention. The Smarter Planet initiative now has more than 2,000 projects worldwide and is one of the reasons IBM’s stock price has increased more than 70% since 2004. The use of Watson in the marketing program was also extremely successful, generating 1.3 billion media impressions and \$50 million worth of media exposure.

In January 2012, IBM appointed Virginia Rometty, its VP of Sales, Marketing, and Strategy, as its 10th CEO (replacing Palmisano). The appointment is viewed as an indication of the importance of marketing and the new strategy at IBM.

Sources: Steve Lohr, “Retired Chief Leave Behind a Refashioned I.B.M.,” *The International Herald Tribune*, January 2, 2012, p. 15; “Brand of the Year 2011 Shortlist,” *Marketing*, November 9, 2011; and Jack Neff, “2011 Marketer A-List,” *Advertising Age*, November 7, 2011, p. 20.

TEACHING NOTE FOR APPENDIX D CASE D-2

Daktronics, Inc.: Global Displays in 68 Billion Colors

Synopsis

Daktronics, Inc. was founded in 1968 by two college professors at South Dakota State University (SDSU) with a goal of starting a business to help keep college graduates in their home state. Its first products, an electronic thermometer and automated blood pressure gauge, were a disaster according to one of its founders. The SDSU wrestling coach then approached the professors with the idea of designing a more useful mat-side scoring system for wrestling matches. That first success helped make Daktronics today's world leader in electronic video displays for its three main market segments: sports, business, and government.

Teaching Suggestions

Daktronics has produced thousands of electronic displays. To help students understand the wide array of electronic displays:

1. Have students go to the Daktronics website (www.daktronics.com) and click on the state in which your college or university is located.
2. Have them select several displays they have seen from different segments and describe them to the class.
3. Ask them what benefits the display provides the organization having the display background for Question #1 in the case.

Answers to Questions

1. **What are the reasons or appeals that might cause potential customers in the following markets to buy a Daktronics scoreboard, electronics display, or large screen video? (a) A Major League Baseball team, (b) a high school for its football field, (c) a local hardware store, and (d) a state highway department.**

Answers:

The appeal of a Daktronics display varies widely, depending on the kind of organization using the display. Here are examples of some of these possible appeals:

- **Cost effectiveness.** Is less expensive for the benefits provided than alternative communication methods.
- **Attention getting.** Captures viewers' awareness.
- **Time and sports data.** Provides up to the minute numerical information, such as time, temperature, stock market averages, game scores, count on balls and strikes, etc.
- **Safety and schedules.** Helps highway drivers receive advance warning of problems and travelers to catch their plane or train.

- **Real-time video and video replays.** Provides TV-type coverage and replays, especially for sporting events.
- **Latest information on price deals or sales.** Offers retailers opportunities to display changing price data or items on sale.
- **Advertising revenue.** Generates revenues to the owner of the display for advertising and promotions shown.
- **Remain competitive for sports fans.** Satisfies team's and fans' desires to have latest state-of-the-art video displays.

Most of the appeals above are self-explanatory. Letting 3 = a very important factor, 2 = an important factor, 1 = a factor of minimal importance, and 0 = a factor of no importance, we might relate the appeals above to the four kinds of displays in the question:

Appeal	Potential Customer For Display			
	(a) Major League Baseball Team (Scoreboard)	(b) High School Football Team (Scoreboard)	(c) Local Hardware Store (Display)	(d) State Highway Department (Sign)
Cost effectiveness	2	2	3	3
Attention getting	3	1	3	3
Time & sports data	3	3	0	0
Safety & schedules	0	0	0	0
Real-time videos & video displays	3	1	0	0
Latest info on price deals or sales	0	1	3	0
Advertising revenue	3	2	0	0
Remain competitive for sports fans	3	2	0	0

2. (a) Do a SWOT analysis for Daktronics. (b) For one entry in each of the four cells in your SWOT table (strengths, weaknesses, opportunities, and threats) suggest an action Daktronics might take to increase revenues.

Answers:

a. SWOT analysis.

LOCATION OF FACTOR	KIND OF FACTOR	
	Favorable	Unfavorable
	Strengths	Weaknesses
Internal	<ul style="list-style-type: none"> • World leader in video displays. • Marketing, engineering, and manufacturing under one roof enhances communication. • History of direct teamwork kind of management style. • Ability to employ new college graduates who have internships. 	<ul style="list-style-type: none"> • Small independent firm, without resources of firm like competitor Mitsubishi. • Small-town location may make large, city organizations skeptical of skills. • No sales office in Asia, where sports are growing.
	Opportunities	Threats
External	<ul style="list-style-type: none"> • Replacement/upgrade opportunities for major U.S. professional sports. • Major new-business possibilities in business and government segments. • High schools may be able to generate revenues through scoreboard ads, important with today's limited school budgets. 	<ul style="list-style-type: none"> • Competition from two major international manufacturers. • Budgets for highway departments declining. • 9-11 terrorist concerns may dampen interest in large crowd attendance in sports stadiums.

b. Sample action from each cell of SWOT table.

- **Strength.** History of direct teamwork management style. Exposure that bright, capable people are hired who embrace the Daktronics “waterboy” style of management.
- **Weakness.** No sales office in Asia, where sports are growing. Stay aware of growth opportunities in Asian markets that might justify a sales and service office there.
- **Opportunity.** High schools may be able to generate revenues through scoreboard ads, important with today's limited school budgets. Continue working with high schools to show them how to generate advertising revenues covering the cost of the scoreboard.
- **Threat.** Budgets for highway departments are declining. Enhance cost-benefit studies of installing highway signs on dangerous and heavily traveled highways to

demonstrate savings in lives, reducing accidents, and reducing needs for highway closing and emergency ambulance services.

3. Using Figure 2-5 in Chapter 2 as a guide, identify an action Daktronics might take to increase sales in each of the four cells: (a) current markets, current products; (b) current markets, new products; (c) new markets, current products; (d) new markets, new products.

Answers: Applying Figure 2-5 to Daktronics' situation might provide the following actions:

MARKETS	PRODUCTS	
	Current	New
Current	<ul style="list-style-type: none"> • Offer computer simulations of potential screen displays for customers to enhance the likelihood of making the sale. 	<ul style="list-style-type: none"> • Develop new small, moveable multi-sport displays (say, for both football and basketball) for high schools with limited budgets.
New	<ul style="list-style-type: none"> • Open new sales and service office in Asia to pursue Asian sales opportunities more aggressively. 	<ul style="list-style-type: none"> • Develop new small, moveable multi-sport displays (say, for both soccer and basketball) for Asian communities with limited budgets.