

# SOLUTIONS MANUAL



# Instructor's Manual *to accompany*

NELSON



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**Instructor's Manual** to accompany  
**Contemporary Marketing, Third Canadian Edition**  
By Herb MacKenzie and Kim Snow

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**Boone/Kurtz/MacKenzie/Snow**  
**Contemporary Marketing, 3ce**  
**Instructor's Manual**  
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## **Preface to the Instructor's Manual**

The *Instructor's Manual* contains a wealth of lecture and teaching materials to use with *Contemporary Marketing* third Canadian edition. The purpose of the *Instructor's Manual* is not to tell you how to teach or organize your class, but rather to make many of the tedious tasks associated with teaching, less so.

### **CONTENTS OF THE INSTRUCTOR'S MANUAL**

Each chapter of the *Instructor's Manual* begins with a summary and a list of the major changes in the third Canadian edition for that chapter. A table organized by learning objective includes key terms and lecture outlines with teaching tips and suggestions and PowerPoint references. Each chapter includes the answers and teaching notes to the chapter exercises as well as collaborative exercises and video case questions.

Since each section of a principles of marketing class is unique in several ways, we have deliberately provided you with more classroom materials and teaching suggestions than any instructor can possibly use. Feel free to pick and choose from the diverse lecture aids and classroom assignments presented for each chapter.

### **MEDIA GUIDE**

In this edition the Media Guide has been separated from the Instructor's Manual at the request of reviewers. We hope you'll find the wealth of material the Media Guide provides much easier to use in this new format!

The Media Guide includes information for every chapter's media elements, including video case guides for each of the 16 chapter video cases and Appendix B, the seven Second City continuing video case segments, the seven CBC video cases, and the seven Marketer's Minute profiles of real-life marketers in action. Each video case includes a synopsis plus video case questions and suggested answers.

## Additional Teaching Resources

Additional teaching aids are available from Nelson Education in support of this textbook for teaching marketing in Canadian colleges and universities.

### **The Nelson Education Teaching Advantage (NETA)**

The Nelson Education Teaching Advantage (NETA) program delivers research-based instructor resources that promote student engagement and higher-order thinking to enable the success of Canadian students and educators.

Instructors today face many challenges. Resources are limited, time is scarce, and a new kind of student has emerged: one who is juggling school with work, has gaps in his or her basic knowledge, and is immersed in technology in a way that has led to a completely new style of learning. In response, Nelson Education has gathered a group of dedicated instructors to advise us on the creation of richer and more flexible ancillaries that respond to the needs of today's teaching environments.

In consultation with our editorial advisory board, Nelson Education has completely rethought the structure, approaches, and formats of our key textbook ancillaries. We've also increased our investment in editorial support for our ancillary authors. The result is the Nelson Education Teaching Advantage and its key components: NETA Assessment, and NETA Presentation. Each component includes one or more ancillaries prepared according to our best practices, and a document explaining the theory behind the practices.

NETA Assessment relates to testing materials: not just Nelson's Test Banks and Computerized Test Banks, but also in-text self-tests, Study Guides and web quizzes, and homework programs like CNOW. Under NETA Assessment, Nelson's authors create multiple-choice questions that reflect research-based best practices for constructing effective questions and testing not just recall but also higher-order thinking. Our guidelines were developed by David DiBattista, a 3M National Teaching Fellow whose recent research as a professor of psychology at Brock University has focused on multiple-choice testing. All Test Bank authors receive training at workshops conducted by Prof. DiBattista, as do the copyeditors assigned to each Test Bank. A copy of *Multiple Choice Tests: Getting Beyond Remembering*, Prof. DiBattista's guide to writing effective tests, is included with every Nelson Test Bank/Computerized Test Bank package.

NETA Presentation has been developed to help instructors make the best use of PowerPoint® in their classrooms. With a clean and uncluttered design developed by Maureen Stone of StoneSoup Consulting, NETA Presentation features slides with improved readability, more multi-media and graphic materials, activities to use in class, and tips for instructors on the Notes page. A copy of *NETA Guidelines for Classroom Presentations* by Maureen Stone is included with each set of PowerPoint slides.

## Instructor's Resource CD

The following supplements are available on the **Instructor's Resource CD** (ISBN 0176633464).

- **NETA Assessment:** The Test Bank was written by Carolyn Capretta from McMaster University. It includes 1237 multiple-choice questions written according to NETA guidelines for effective construction and development of higher-order questions. Also included are over 1474 true/false, 265 essay, and 265 matching questions. Test Bank files are provided in Word format for easy editing and in PDF format for convenient printing whatever your system.  
The Computerized Test Bank by ExamView® includes all the questions from the Test Bank. The easy-to-use ExamView software is compatible with Microsoft Windows and Mac. Create tests by selecting questions from the question bank, modifying these questions as desired, and adding new questions you write yourself. You can administer quizzes online and export tests to WebCT, Blackboard, and other formats.
- **NETA Presentation:** Microsoft® PowerPoint® lecture slides for every chapter have been created by the Canadian co-authors of the text book Herb MacKenzie, from Brock University and Kim Snow, from York University. There are two sets of slides, one expanded and one basic. The expanded slides contain an average of 43 slides per chapter. The basic slides contain an average of 17 slides per chapter. These lecture slides contain many features including key figures, tables, and photographs from *Contemporary Marketing 3ce*
- **Image Library:** This resource consists of digital copies of figures, short tables, and photographs used in the book. Instructors may use these jpegs to create their own PowerPoint presentations.
- **DayOne:** Day One—Prof InClass is a PowerPoint presentation that you can customize to orient your students to the class and their text at the beginning of the course.
- **TurningPoint® classroom response software. This valuable resource has been customized for *Contemporary Marketing 3ce*. Now you can author, deliver, show, access, and grade, all in PowerPoint...with no toggling back and forth between screens! JoinIn on Turning Point is the only classroom response software tool that gives you true PowerPoint integration. With JoinIn, you are no longer tied to your computer. You can walk about your classroom as you lecture, showing slides and collecting and displaying responses with ease. There is simply no easier or more effective way to turn your lecture hall into a personal, fully interactive experience for your students. If you can use PowerPoint, you can use JoinIn on TurningPoint! (Contact your Nelson publishing representative for details.)**

## CHAPTER 1

# MARKETING: THE ART AND SCIENCE OF SATISFYING CUSTOMERS

### CHAPTER OVERVIEW

This third Canadian edition of *Contemporary Marketing* focuses on the strategies that allow companies to succeed in today's interactive marketplace. We call customer satisfaction an art because it requires imagination and creativity, and a science because it requires technical knowledge, skill, and experience.

Marketers must constantly look for ways to create loyal customers and build long-term relationships with those customers, often on a one-to-one basis. They must be able to anticipate customer needs and satisfy them with innovative goods and services. They must be able to do this faster and better than the competition. And they must conduct their business according to the highest ethical standards.

Chapter 1 sets the stage for the entire text, examining the importance of creating satisfaction through customer relationships. Initial sections describe the historical development of marketing and its contributions to society. Later sections introduce the universal functions of marketing and the relationship between ethical business practices and marketplace success.

Throughout the chapter—and the entire book—we discuss customer loyalty and the lifetime value of a customer.

### Changes in the Third Canadian Edition

The chapter has been updated and revised, and new features have been added:

- **The Opening Vignette and Connecting with Customers** profile a business synonymous with low prices and innovation—Walmart. The actions of this retailer, whose \$400 billion plus revenues surpass the GDPs of 40 countries, have drawn criticism in the past. Now the low-price giant hopes to lead in a positive direction with its new Sustainability Index. Walmart currently operates 8000 stores in 15 countries around the world. By leveraging Walmart's enormous buying power, the Index, which will ultimately provide millions of shoppers with a way to measure the environmental impact of each of the thousands of items it sells, could virtually remake the practice of retailing. A program to conserve wildlife habitats was launched in 2005, and a \$4 generic prescription drug program was introduced the following year. The company intends the Index also to weed out companies that engage in "green washing," making false or inflated claims of sustainability. The complete story is in "Walmart Helps Save the World with Sustainability."
- **Solving an Ethical Controversy** explores the use of full-body scanners, already fairly common in European airports and train stations. There are now 41 full-body scanners at Canadian airports, mostly for secondary screening when a passenger sets off a metal detector. No one argues that airline travel should not be as safe as airlines and governments can possibly make it. The critical question that arises is "Can governments encourage public support of full-body scans without endangering privacy rights?" Pros and cons are discussed in "Airport Scanners Show All Your Bumps and Curves."
- **Marketing and the SME** features QR—or quick response—codes, the most popular two-dimensional codes in Japan. They are quickly gaining popularity around the world among the 4



billion or so mobile phone users. These codes encourage interactive consumer behaviour. Consumers can scan the codes with their smartphones at the point of purchase to gain additional product information and, sometimes, coupons. The growing use of QR codes is discussed in “QR Codes: A New Dimension in Customer Connection.”

- **Marketing in a Digital World** features Kraft Canada and Google Maps. In a marketing campaign for their Easter Creme Eggs, Kraft Canada created a website where visitors could catapult an egg to hit a target of their choice. Google Maps shows the target destination and what happens when it gets hit with the egg. Visitors are then encouraged to share their experience with others through Facebook and Twitter. Between its February launch and Halloween, the website attracted 140 000 visits, was shared 3000 times on Facebook, was tweeted about 300 times, and was mentioned in about 100 blogs: clearly a success. When you want to egg something and not get in trouble, you can see how to do it in “Canada Goes Up Google Maps.”
- **Go Green** describes how “green” opportunities are being created in the job market. Once mostly science-based, the new green jobs are open to accountants, lawyers, builders, economists, journalists, entrepreneurs, and marketers, among others. More than a half-million people—3 percent of working-age Canadians—are working in environment-related jobs, and the percentage is increasing. As green opportunities increase, so too will opportunities for those who understand and who wish to work in marketing.
- **Career Readiness** provides advice on how to develop one’s networking skills. It gives tips to help build up personal connections as a form of personal investment, reminds one not to be too self-focused and to pay heed to others, and stresses the importance of regular periodical evaluation of one’s efforts. Further guidance is provided in “How to Success.”
- **Chapter Case 1.1** “Reinventing IBM” highlights IBM’s successful management of globalization and technological change that led to a reinvention of the company known as “Big Blue.”
- **Chapter Case 1.2** “Hewlett-Packard Reduces, Reuses, Recycles” highlights the world’s largest information technology (IT) company’s environmental responsibility and business success by showcasing HP’s leadership role in reporting and reducing its greenhouse gas emissions.
- **Video Case Synopsis** includes an overview of the marketing strategies employed by Flight 001.

## LECTURE OUTLINE

Opening Vignette and Connecting with Customers—Walmart Helps Save the World with Sustainability. *What is Walmart’s Sustainability Index? Why do you think Walmart links profit and sustainability? Some critics wonder how Walmart’s Sustainability Index will choose whether, say, “greenhouse gas emissions are more pressing than water conservation.” How would you advise Walmart to make such choices?*

**Chapter Objective 1: Define *marketing*, explain how it creates utility, and describe its role in the global marketplace.**

**Key Terms:** utility, form utility, time utility, place utility, ownership utility, marketing

**PowerPoint Basic:** 4-7

**PowerPoint Expanded:** 4-9

<p>Table 1.1 Four Types of Utility. Ask students for examples of each type of utility.</p>	<ol style="list-style-type: none"> <li>1. What is marketing?             <ol style="list-style-type: none"> <li>a. Producing and marketing goods and services are the essence of economic life in any society, creating a benefit called utility.</li> <li>b. <u>Utility</u> is the want-satisfying power of a good or service.</li> </ol> </li> <li>2. The four basic kinds of utility:             <ol style="list-style-type: none"> <li>a. <u>Form utility</u>—created when raw materials and components are converted into finished goods and services</li> <li>b. <u>Time utility</u>—created when goods or services are available when consumers want them</li> <li>c. <u>Place utility</u>—created when goods or services are available where consumers want them</li> <li>d. <u>Ownership utility</u>—created when title to goods or services is transferred</li> </ol> </li> <li>3. All organizations must create utility to survive. Designing and marketing want-satisfying goods, services, and ideas are the foundation for the creation of utility.</li> <li>4. Marketing specialists are responsible for most of the activities necessary to create the customers the organization wants, including:             <ol style="list-style-type: none"> <li>a. Identifying customer needs</li> <li>b. Designing goods and services that meet those needs</li> <li>c. Communicating information about those goods and services to prospective buyers</li> <li>d. Making the goods or services available at times and places that meet customers' needs</li> <li>e. Pricing merchandise and services to reflect costs, competition, and customers' ability to buy</li> <li>f. Providing the necessary service and follow-up to ensure customer satisfaction</li> </ol> </li> <li>5. A definition of marketing             <ol style="list-style-type: none"> <li>a. The word <u>marketing</u> encompasses a broad scope of activities and ideas.</li> <li>b. Today's definition of marketing: An organizational function and a set of processes for creating, communicating, and delivering value to customers, and for managing customer relationships in ways that benefit the organization and its stakeholders</li> </ol> </li> <li>6. Today's global marketplace             <ol style="list-style-type: none"> <li>a. Factors that have forced countries to extend their economic views                 <ol style="list-style-type: none"> <li>i. International agreements designed to increase trade</li> <li>ii. Rise of electronic commerce</li> <li>iii. Interdependence of the world's economies</li> </ol> </li> <li>b. Expanding operations beyond Canada gives companies access to about 6.5 billion new consumers.</li> <li>c. Service firms also play a major role in today's global marketplace.</li> <li>d. Canada is an attractive market for foreign companies.</li> <li>e. Marketing strategies are increasingly being tailored to suit the needs and preferences of consumers in foreign markets.</li> </ol> </li> </ol> <p><b>Assessment check questions</b></p> <ol style="list-style-type: none"> <li>1. Define "marketing" and explain how it creates utility. <i>Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to</i></li> </ol>
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	<p><i>customers and for managing customer relationships in ways that benefit the organization and its stakeholders. It creates time, place, and ownership utilities.</i></p> <p>2. What three factors have forced marketers to embrace a global marketplace? <i>International agreements are negotiated to expand trade among nations. The growth of technology is bringing previously isolated countries into the marketplace. The interdependence of the world's economies is now a reality.</i></p>
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**Chapter Objective 2: Contrast marketing activities during the four eras in the history of marketing.**  
**Key Terms:** exchange process, production orientation, sales orientation, seller's market, buyer's market, consumer orientation, marketing concept, relationship marketing  
**PowerPoint Basic:** 8-10  
**PowerPoint Expanded:** 10-16

<p>Figure 1.1 Four Eras of Marketing History. <i>What are the primary characteristics of each era? Think of a common product, possibly one with a long history. How might it have been marketed during each era?</i></p> <p>Marketing and the SME: QR Codes: A New Dimension in Customer Connection. <i>How can small businesses improve their customer connections through QR codes?</i></p>	<ol style="list-style-type: none"> <li>1. Four eras in the history of marketing             <ol style="list-style-type: none"> <li>a. The essence of marketing is the <u>exchange process</u>, in which two or more parties give something of value to each other to satisfy perceived needs.</li> <li>b. The four eras in the history of marketing: the production, sales, marketing, and relationship eras</li> </ol> </li> <li>2. The production era             <ol style="list-style-type: none"> <li>a. Characterized by a <u>production orientation</u>—a business philosophy stressing efficiency in producing a quality product</li> <li>b. Attitude toward marketing is “a good product will sell itself”</li> <li>c. Characteristic of a shortage economy and intense consumer demand</li> <li>d. Inventing an outstanding product is not enough—it must meet a perceived marketplace need.</li> </ol> </li> <li>3. The sales era             <ol style="list-style-type: none"> <li>a. Characterized by a <u>sales orientation</u>—a business philosophy assuming that consumers will resist purchasing nonessential goods and services</li> <li>b. Attitude toward marketing is that creative advertising and personal selling are required to overcome consumer resistance and convince them to buy</li> <li>c. Marketing departments began to emerge from the shadows of production and engineering. The chief marketing officer in many firms held the title of sales manager during this era.</li> </ol> </li> <li>4. The marketing era             <ol style="list-style-type: none"> <li>a. Began to emerge during the Great Depression of the 1930s when both personal incomes and consumer demand for goods and services declined</li> <li>b. Was interrupted when rationing and shortages of goods occurred during World War II</li> <li>c. Has been emerging since the end of WWII</li> <li>d. Emergence of the marketing concept                 <ol style="list-style-type: none"> <li>i. Attitude toward marketing changed from production orientation to consumer orientation as society changed from a <u>seller's market</u> (one in which there were more buyers for fewer goods and services) to a <u>buyer's market</u> (one in which</li> </ol> </li> </ol> </li> </ol>
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<p>Career Readiness — How to Network. <i>Choose one tip and discuss its importance in business situations. Then practise these skills in class.</i></p>	<p>there were more goods and services than people willing to buy them)</p> <ul style="list-style-type: none"> <li>ii. <u>Consumer orientation</u> is a business philosophy incorporating the marketing concept of first determining unmet consumer needs and then designing a system for satisfying them.</li> <li>iii. The <u>marketing concept</u> is a company-wide consumer orientation with the objective of achieving long-run success.</li> <li>iv. All facets of the organization must be involved with assessing and then satisfying consumer wants and needs.</li> <li>v. A strong marketing orientation—the extent to which a company adopts the marketing concept—improves market success and overall performance.</li> </ul> <p>5. The relationship era</p> <ul style="list-style-type: none"> <li>a. Represents a major shift from the traditional concept of marketing as a simple exchange between buyer and seller</li> <li>b. <u>Relationship marketing</u> involves developing long-term, value-added relationships over time with customers and suppliers.</li> <li>c. Strategic alliances and partnerships with vendors and retailers play a major role in relationship marketing.</li> <li>d. Prevailing attitude is that long-term relationships with customers and partners will benefit everyone</li> </ul> <p>6. Converting needs to wants</p> <ul style="list-style-type: none"> <li>a. Every consumer must acquire goods and services on a continuing basis to fill certain needs.</li> <li>b. Everyone must satisfy the fundamental needs for food, clothing, shelter, and transportation.</li> <li>c. Effective marketing converts needs to wants by focusing on the benefits resulting from the acquisition of specific goods and services..</li> <li>d. Marketers require skill and a willingness to listen to what consumers really want to effectively convert needs to wants.</li> </ul> <p><b>Assessment check questions</b></p> <p>1. What is the major distinction between the production era and the sales era? <i>During the production era, businesspeople believed that quality products would sell themselves. But during the sales era, emphasis was placed on selling—persuading people to buy.</i></p> <p>2. What is the marketing concept? <i>The marketing concept is a companywide consumer orientation with the objective of achieving long-term success.</i></p> <p>3. Describe the relationship era of marketing. <i>The relationship era focuses on building long-term, value-added relationships over time with customers and suppliers.</i></p>
<p><b>Chapter Objective 3: Explain the importance of avoiding marketing myopia.</b></p> <p><b>Key Terms:</b> marketing myopia</p> <p><b>PowerPoint Basic:</b> 11</p> <p><b>PowerPoint Expanded:</b> 17, 18</p>	

<p>Table 1.2 Avoiding Marketing Myopia.  <i>Choose a local business and devise a company motto that would avoid myopia. How could it avoid narrow thinking and expand or revise its product line or services?</i></p>	<ol style="list-style-type: none"> <li>1. Avoiding marketing myopia             <ol style="list-style-type: none"> <li>a. <u>Marketing myopia</u> is the failure of managers to recognize the scope of their business.</li> <li>b. Future growth is endangered when management is product-oriented rather than customer-oriented.</li> <li>c. Marketing myopia is often characteristic of organizations that are too narrowly defined.</li> </ol> </li> <li>2. A broader focus on customer need satisfaction rather than on the products themselves aids in avoiding marketing myopia.</li> </ol> <p><b>Assessment check questions</b></p> <ol style="list-style-type: none"> <li>1. What is marketing myopia? <i>Marketing myopia is management's failure to recognize the scope of a company's business.</i></li> <li>2. Give an example of how a firm can avoid marketing myopia. <i>A firm can find innovative ways to reach new markets with existing goods and services.</i></li> </ol>
<p><b>Chapter Objective 4: Describe the characteristics of not-for-profit marketing.</b>  <b>Key Terms:</b> bottom line  <b>PowerPoint Basic:</b> 12  <b>PowerPoint Expanded:</b> 19, 20</p>	
<p><i>Note: Ask students to name some of the popular not-for-profit organizations in Canada and analyze if these organizations have all the characteristics listed in the text.</i></p>	<ol style="list-style-type: none"> <li>1. Extending the traditional boundaries of marketing             <ol style="list-style-type: none"> <li>a. Today's organizations—both profit-oriented and not-for-profit—see the universal need for marketing and its importance to their success.</li> <li>b. Like businesses, not-for-profits may communicate their messages by appearing in advertisements related to their goals.</li> </ol> </li> <li>2. Marketing in not-for-profit organizations             <ol style="list-style-type: none"> <li>a. More than 2 million Canadians work in one or more of the 161 000 not-for-profit organizations in the country.</li> <li>b. Not-for-profit organizations operate in both the public and private sectors.                 <ol style="list-style-type: none"> <li>i. Government units pursue service objectives that are not keyed to profitability targets.</li> <li>ii. The private sector has very diverse not-for-profit organizations, from private schools to museums to charitable organizations.</li> </ol> </li> <li>c. Adopting a marketing concept helps to meet service objectives.</li> <li>d. Generally, partnerships formed between not-for-profit firms and businesses benefit both parties.</li> </ol> </li> <li>3. Characteristics of not-for-profit marketing             <ol style="list-style-type: none"> <li>a. The financial <u>bottom line</u> (the overall profitability and financial performance of the organization) is not the major objective of not-for-profit organizations.</li> <li>b. However, not-for-profit organizations still need to generate sufficient revenues, often from donors, to accomplish their objectives, and marketing can help them accomplish these objectives.</li> <li>c. Like profit-seeking firms, not-for-profit organizations may market tangible goods or intangible services.</li> <li>d. Unlike profit-seeking businesses, not-for-profit organizations must market to multiple publics.</li> <li>e. A customer or service user of a not-for-profit organization often has</li> </ol> </li> </ol>

	<p>less control over the organization’s destiny than customers of a profit-seeking firm.</p> <ul style="list-style-type: none"> <li>f. Not-for-profit organizations also possess some degree of monopoly power in a given geographic area.</li> <li>g. Resource contributors to not-for-profit organizations may try to interfere with the marketing program to promote a message that the donor feels is relevant.</li> </ul> <p><b>Assessment check questions</b></p> <p>1. What is the most obvious distinction between a not-for-profit organization and a commercial organization? <i>The biggest distinction between for-profit and not-for-profit organizations is the bottom line—whether an organization is judged by its profitability.</i></p> <p>2. Why do for-profit and not-for-profit organizations sometimes form alliances? <i>For-profits and not-for-profits may form alliances to promote each other’s causes and offerings. For-profits may do so as part of their social responsibility efforts.</i></p>
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**Chapter Objective 5: Identify and briefly explain each of the five types of nontraditional marketing.**  
**Key Terms:** person marketing, place marketing, cause marketing, event marketing, organization marketing  
**PowerPoint Basic:** 13  
**PowerPoint Expanded:** 21-25

<p>Table 1.3 Categories of Nontraditional Marketing. <i>Give one concrete example of a well-known product or service that is marketed through each method.</i></p> <p><i>Note: Show an ad by a local candidate as an example of person marketing.</i></p> <p><i>Note: Ask students for examples of sports arenas with corporate names.</i></p>	<ul style="list-style-type: none"> <li>1. Nontraditional marketing             <ul style="list-style-type: none"> <li>a. As marketing has evolved into an organization-wide activity, its application has broadened beyond traditional boundaries.</li> <li>b. Five major types of nontraditional marketing are person, place, cause, event, and organization marketing.</li> </ul> </li> <li>2. Person marketing             <ul style="list-style-type: none"> <li>a. <u>Person marketing</u> refers to efforts designed to cultivate the attention, interest, and preferences of a target market toward a celebrity or authority figure.</li> <li>b. Examples                 <ul style="list-style-type: none"> <li>i. Sports figures (Steve Nash, LeBron James)</li> <li>ii. Fictional characters (Snoopy, Popeye)</li> <li>iii. Political candidates (Stephen Harper, provincial premiers)</li> </ul> </li> <li>c. An extension of person marketing is <u>celebrity endorsements</u>.</li> </ul> </li> <li>3. Place marketing             <ul style="list-style-type: none"> <li>a. <u>Place marketing</u> attempts to attract customers to particular areas.</li> <li>b. Cities, provinces, regions, and countries publicize their tourist attractions to lure vacation travellers.</li> <li>c. They also promote themselves as good locations for businesses.</li> <li>d. Examples include casinos and resorts in Las Vegas, skiing in British Columbia, beaches in Prince Edward Island, and whale watching in Newfoundland and Labrador</li> </ul> </li> <li>4. Cause marketing             <ul style="list-style-type: none"> <li>a. <u>Cause marketing</u> refers to the identification and marketing of a social issue, cause, or idea to selected target markets.</li> <li>b. Examples include campaigns promoting literacy, physical fitness, awareness of childhood obesity, environmental protection, elimination of birth defects, child-abuse prevention, and preventing drunk driving</li> </ul> </li> </ul>
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<p><i>Note: Ask students to find an example of organization marketing for your college or university (the website is one possibility).</i></p> <p><i>Note: Ask if students feel organization marketing is appropriate and whether or not there should be any limits to it.</i></p> <p><i>Go Green: Tired of Blue, White, and Pink Jobs? Think Green. Ask students how important it would be for them to work for or buy from “green” companies.</i></p>	<ul style="list-style-type: none"> <li>c. Many profit-seeking firms link their products to social causes.</li> <li>d. There is strong support among both customers and company employees for cause-related marketing.</li> <li>e. Cause marketing can help build relationships with customers.</li> </ul> <p>5. Event marketing</p> <ul style="list-style-type: none"> <li>a. <u>Event marketing</u> refers to the marketing of sporting, cultural, and charitable activities to selected target markets.</li> <li>b. It includes sponsorships of events by firms seeking to increase public awareness and bolster their images. <ul style="list-style-type: none"> <li>i. One example is sports sponsorships.</li> <li>ii. Many professional sports arenas carry corporate names.</li> </ul> </li> <li>c. Companies now also feed their commercials to websites and make them available for downloading to personal computers, tablets, iPods, and smartphones.</li> </ul> <p>6. Organization marketing</p> <ul style="list-style-type: none"> <li>a. <u>Organization marketing</u> attempts to persuade people to accept the goals of, receive the services of, or contribute in some way to an organization.</li> <li>b. It includes mutual-benefit organizations (labour unions, conservation groups), service and cultural organizations (universities, hospitals, museums), and government agencies (postal service, liquor control boards).</li> <li>c. Organizations use organization marketing to raise funds by selling licensed merchandise.</li> </ul> <p><b>Assessment check questions</b></p> <p>1. Identify the five major categories of nontraditional marketing. <i>The five categories of nontraditional marketing are person, place, cause, event, and organization marketing.</i></p> <p>2. Give an example of a way in which two or more of these categories might overlap. <i>Overlap can occur in many ways. An organization might use a person to promote its cause or event. Two organizations might use one marketing effort to promote an event and a place—for example, TSN and the Canadian Football League combining to promote the 2011 Grey Cup in Vancouver.</i></p>
<p><b>Chapter Objective 6: Explain the shift from transaction-based marketing to relationship marketing.</b></p> <p><b>Key Terms:</b> transaction-based marketing, relationship marketing, mobile marketing, interactive marketing, social marketing, buzz marketing, strategic alliances</p> <p><b>PowerPoint Basic:</b> 14, 16</p> <p><b>PowerPoint Expanded:</b> 26-31</p>	
<p><i>Note: Remind students of the relative cost of acquiring new customers versus the cost of maintaining existing ones.</i></p>	<p>1. From transaction-based marketing to relationship marketing</p> <ul style="list-style-type: none"> <li>a. Traditional view of marketing is a simple exchange process (<u>transaction-based marketing</u>).</li> <li>b. New view of marketing stresses the importance of establishing and maintaining long-term relationships with customers and new customers so they become loyal repeat customers</li> <li>c. Efforts to maintain relationships should include suppliers and employees as well.</li> <li>d. The lifetime value of a customer consists of the revenues and intangible benefits that a customer brings to an organization over an</li> </ul>

Figure 1.2 Converting New Customers to Advocates. *Think about the steps needed to successfully convert a new customer into a regular one, a loyal one, and finally a wildly enthusiastic one. Are you an advocate for a product or service? Trace the steps you went through to become totally sold on the brand. Did you skip any of the steps given in the illustration?*

Marketing in a Digital World: Canada Goes Up Google Maps. *How effective has Kraft Canada's Easter Creme Egg campaign been for creating buzz?*

*Note: Ask students to think of several recent examples of strategic alliances and partnerships. The strategic alliance between TransForce and DHL Express Canada to provide a fully integrated shipping and logistics service is one good example.*

average lifetime minus the investment the firm has made to attract and keep the customer.

- e. Relationship marketing gives a company the opportunity to move customers from new customers to regular purchasers, then to loyal supporters of the firm and its goods and services, and finally to advocates who not only buy its products but recommend them to others.
2. Using interactive marketing to build relationships
    - a. Effective relationship marketing often relies heavily on information technologies such as computer databases that record customers' tastes, price preferences, and lifestyles.
    - b. The stage is set for mobile marketing—marketing messages transmitted via wireless technology.
    - c. Interactive marketing refers to buyer–seller communications in which the customer controls the amount and type of information received from a marketer.
    - d. Social marketing is the use of online social media as a communications channel for marketing messages.
    - e. Interactive marketing allows marketers and consumers to customize their communication.
    - f. Buzz marketing uses customers to create a “buzz” about a company's products.
  3. Developing partnerships and strategic alliances
    - a. Relationship marketing extends to business-to-business relationships with a firm's suppliers and distributors as well as other types of corporate partnerships.
    - b. Strategic alliances are partnerships that create competitive advantages.
      - i. Firms often form strategic alliances when developing new products.
      - ii. In vertical alliances, a company provides a product or component to another firm, which then distributes or sells it under its own brand.
      - iii. Not-for-profits often make use of strategic alliances in order to promote their causes and raise funds.

#### Assessment check questions

1. How does relationship marketing give companies a competitive edge? *Relationship marketing can move customers up a loyalty ladder, generating repeat sales and long-term relationships.*
2. Why is interactive and social marketing an important tool for marketers? *Interactive marketing technologies create direct communication with customers, allow larger exchanges, and put the customer in control. Social media also allow larger exchanges in which consumers communicate with one another using email or social networking sites.*
3. What is a strategic alliance? *A strategic alliance is a partnership formed between two organizations to create a competitive advantage.*

**Chapter Objective 7: Identify the universal functions of marketing.**

**Key Terms:** wholesalers, exchange functions

**PowerPoint Basic:** 17, 18



<b>PowerPoint Expanded: 32</b>	
<p>Figure 1.3 Eight Universal Marketing Functions. <i>Review the eight marketing functions, and give a concrete example of each one in operation.</i></p>	<ol style="list-style-type: none"> <li>1. Costs and functions of marketing</li> <li>2. The costs of marketing (what the firm needs to spend to market a product)             <ol style="list-style-type: none"> <li>a. Firms must spend money to create time, place, and ownership utilities.</li> <li>b. Most estimates of marketing costs, in relation to overall product costs, range from 40 to 60 percent.</li> </ol> </li> <li>3. The functions of marketing (what the consumer receives in return for the cost of marketing a product) are buying, selling, transporting, storing, standardizing and grading, financing, risk taking, and securing marketing information.             <ol style="list-style-type: none"> <li>a. The eight universal functions are performed by manufacturers, retailers, and other marketing intermediaries called <u>wholesalers</u>.</li> <li>b. Two <u>exchange functions</u> <ol style="list-style-type: none"> <li>i. Buying: marketers must determine how and why consumers buy certain products (goods and services),</li> <li>ii. Selling: involves advertising, personal selling, and sales promotion to match the firm's products to consumer needs</li> </ol> </li> <li>c. Two physical distribution functions             <ol style="list-style-type: none"> <li>i. Transporting: physically moving goods from the seller to the purchaser</li> <li>ii. Storing: warehousing goods until they are needed for sale</li> </ol> </li> <li>d. Four facilitating functions help marketers perform the exchange and physical distribution functions.             <ol style="list-style-type: none"> <li>i. Standardizing and grading: quality and quantity control standards and grades reduce the need for buyers to inspect each item.</li> <li>ii. Financing: this is a marketing function because buyers often need access to funds to finance inventories prior to sale.</li> <li>iii. Risk taking: manufacturers create goods and services based on research and their belief that consumers need them; wholesalers and retailers acquire inventory based on similar expectations.</li> <li>iv. Securing marketing information: marketers gather information to determine and satisfy consumer needs, as well as information regarding potential customers.</li> </ol> </li> </ol> <p><b>Assessment check questions</b></p> <ol style="list-style-type: none"> <li>1. Which two marketing functions represent exchange functions? <i>Buying and selling are exchange functions.</i></li> <li>2. Which two functions represent physical distribution functions? <i>Transporting and storing are physical distribution functions.</i></li> <li>3. Which four functions are facilitating functions? <i>The facilitating functions are standardization and grading, financing, risk taking, and securing market information.</i></li> </ol> </li></ol>
<p><b>Chapter Objective 8: Demonstrate the relationship between ethical business practices, social responsibility, and marketplace success.</b></p> <p><b>Key Terms:</b> ethics, social responsibility, sustainable products</p> <p><b>PowerPoint Basic:</b> 19</p> <p><b>PowerPoint Expanded:</b> 33, 34</p>	

<p><i>Ask students to list examples of companies who have not lived up to an ethical code of conduct.</i></p> <p>Solving an Ethical Controversy—Airport Scanners Show All Your Bumps and Curves</p> <p><i>Note: Ask students to list some international organizations that emphasize on sustainability.</i></p>	<ol style="list-style-type: none"> <li>1. Ethics and social responsibility: doing well by doing good             <ol style="list-style-type: none"> <li>a. <u>Ethics</u> are moral standards of behaviour expected by a society.</li> <li>b. Most companies do their best to abide by an ethical code of conduct, but occasionally organizations and leaders fall short.</li> </ol> </li> <li>2. Despite these lapses, most businesspeople follow ethical practices.             <ol style="list-style-type: none"> <li>a. Many companies offer ethics training to employees.</li> <li>b. Corporate mission statements often include pledges to protect the environment, contribute to communities, and improve workers' lives.</li> <li>c. <u>Social responsibility</u> involves marketing philosophies, policies, procedures, and actions whose primary objective is to enhance society and protect the environment through sustainable products and practices.</li> <li>d. <u>Sustainable products</u> are those that can be produced, used, and disposed of with minimal impact on the environment.</li> <li>e. Social responsibility programs often produce benefits such as improved customer relationships, increased employee loyalty, marketplace success, and improved financial performance.</li> </ol> </li> </ol> <p><b>Assessment check questions</b></p> <ol style="list-style-type: none"> <li>1. Define ethics. <i>Ethics are moral standards of behaviour expected by a society.</i></li> <li>2. What is social responsibility? <i>Social responsibility involves marketing philosophies, policies, procedures, and actions whose primary objective is the enhancement of society.</i></li> <li>3. What are sustainable products? <i>Sustainable products are those that can be produced, used, and disposed of with minimal impact on the environment.</i></li> </ol>
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## ANSWERS AND TEACHING NOTES TO CHAPTER EXERCISES

### Project and Teamwork Exercises

1. Consider each of the following firms and describe how the firm's goods and/or services can create different types of utility. If necessary, go online to the company's website to learn more about it. You can do this alone or in a team.

- a. Visa, MasterCard, or American Express; Swiss Chalet, Wendy's, Red Lobster, or another restaurant chain
- b. Flickr or another online digital photo service
- c. Calgary Stampede
- d. Amazon.ca
- e. Sobeys, Real Canadian Superstore, Overwaitea, or another grocery store chain

*Each firm's goods and/or services can create different types of utility in various ways. Though marketing technically creates three of the four utilities, form utility is also included below as one that is created by these businesses. Some ideas:*

- a. Visa, MasterCard, or American Express—*They create ownership utility by making sales of goods and services in exchange of currency/credit card/debit card, time and place utility by allowing consumers buy anything, anywhere, anytime in the world. Swiss Chalet, Wendy's, Red Lobster, or another restaurant chain—They create form utility by taking raw materials (produce,*

*meat, bread) and converting them into menu items, time utility by setting operating hours when customers want meals, place utility by opening restaurants in high-traffic areas with easy access, and ownership utility by transferring goods into the buyer's hands at the time of purchase.*

b. Flickr or other online digital photo service—*They create form utility by taking raw materials (digital images) and converting them into finished forms (CDs, prints, etc.), time utility by allowing 24-hour access through the Web, place utility by allowing transactions to occur from any location via the Internet, and ownership utility by providing a service at the time of purchase.*

c. Calgary Stampede—*It creates form utility by taking raw materials (stadiums and seating, kiosks, snack bars, etc.) and converting them into a finished form (entertainment event), time utility by having hours convenient to visitors, place utility by allowing transactions to occur from any location via the Internet, and ownership utility by providing a service at the time of purchase.*

d. Amazon.ca—*It creates form utility by taking raw materials (assortment of items for sale) and converting them into a finished form (website store), time utility by allowing 24-hour access through the Web, place utility by allowing transactions to occur from any location via the Internet, and ownership utility by transferring goods to the buyer at the time of purchase.*

e. Sobeys, Real Canadian Superstore, Overwaitea, or another grocery store chain—*They create form utility by taking raw materials (produce, canned goods, other food products, shelving, lighting, shopping carts, cash registers, etc.) and converting them into a finished form (grocery store), time utility by maintaining hours convenient to local shoppers, place utility by locating stores in high-traffic locations with easy access and ample parking, and ownership utility by transferring goods to the shopper at the time of purchase.*

2. With a classmate, choose a Canadian-based company whose products you think will do well in certain markets overseas. The company can be anything from a music group to a clothing retailer—anything that interests you. Suggestions include Domino's Pizza, Arcade Fire, Molly Maid, or Lululemon Athletica. Then write a plan for how you would target and communicate with overseas markets.

*Students may use the suggestions given (Domino's Pizza, Arcade Fire, Molly Maid, or Lululemon Athletica) or they may find a different Canadian-based company whose products could do well in overseas markets. Their plans will probably vary in length and detail but should contain some basic elements and address some broad concerns. The plan should demonstrate that the business can create at least several of the utilities in a foreign market, would be accepted by the culture, would fill a need or want on the part of its citizens, and would meet trade restrictions.*

3. Choose a company that interests you from the following list, or select one of your own. Research the company online, through business magazines, or through other sources to learn what seems to be the scope of its business. Write a brief description of the company's current scope of business. Then describe strategies for avoiding marketing myopia and expanding the company's scope of business over the next 10 years.

- a. General Electric
- b. TD Canada Trust
- c. Delta Hotels and Resorts
- d. Research In Motion (RIM)
- e. Canadian Tire

*Students should be able to form a brief summary of the firm's current status and create some strategies for avoiding marketing myopia and expanding the scope of business over the next 10 years. Stress that to avoid marketing myopia, firms need to broadly define organizational goals*

*oriented toward consumer needs in the present and future, rather than just focusing on their current products. Students should have some creative suggestions for these firms:*

- a. General Electric—*scope: appliances, power generation, medical technologies, commercial finance services, lighting products, jet engines*
- b. TD Canada Trust—*scope: banking and financial services, wealth management*
- c. Delta Hotel and Resorts—*scope: vacation and business accommodations, property management*
- d. Research In Motion (RIM)—*scope: software, wireless innovation*
- e. Canadian Tire—*scope: retail sales, financial services, gasoline distribution*

4. With a classmate, choose one of the following not-for-profit organizations. Then come up with a for-profit firm with which you think your organization could form a strategic alliance. Create a presentation—an ad, a poster, or the like—illustrating and promoting the partnership.

- a. Canadian Cancer Society
- b. Make-A-Wish Foundation of Canada
- c. Habitat for Humanity Canada
- d. Save the Children Canada
- e. Humane Society of Canada

*Encourage students to think creatively and imagine all types of relationships with these organizations. Remind them that not all partners seem an obvious match at first, but some of the most interesting and successful alliances have been between seemingly polar entities. Below are a few possible partners for strategic alliance ideas to match each of the not-for-profit organizations provided:*

- a. Canadian Cancer Society—*pharmaceutical firms, medical and surgical supply manufacturers, and, again, just about any firm that would like to align itself with this well-known cause with donations of time, money, personnel, or fundraising efforts*
- b. Make-a-Wish Foundation of Canada—*entertainment parks and recreation facilities, sports teams and sports stadiums, sports franchises such as the CFL and networks such as TSN, or just about any firm that would like to align itself with this well-known cause with donations of time, money, personnel, or fundraising efforts*
- c. Habitat for Humanity Canada—*suppliers of raw materials and building goods, construction firms, hardware and home improvement chains, home goods and furnishings retailers, appliance manufacturers*
- d. Save the Children Canada—*pharmaceutical firms, medical and surgical supply manufacturers, airlines that might help bring children for medical help in other countries, book publishers and suppliers of educational products, consumer packaged goods companies, and just about any firm that would like to align itself with this well-known cause with donations of time, money, personnel, or fundraising efforts*
- e. Humane Society of Canada—*pet food manufacturers, pet supply chains, veterinarian hospitals and practices*

5. Research one of the following electronics companies, or another of your choosing, and study its efforts to improve the sustainability of its products, particularly their safe disposal. What does the company do well in this area? What could it do better?
- Toshiba
  - Nintendo
  - Microsoft
  - Fujitsu
  - Samsung

*Students should be able to understand the importance of sustainable products and safe disposal. Reviewing the sustainable programs of leading companies across the world, initiatives, measures, and success stories will help students to come up with better ideas on sustainable products.*

*“Toshiba believes that employees are our most valuable asset, and we constantly strive to create an environment, both within our companies and in the communities in which we operate, that encourages individuals to discover and reach their full potential.*

*“Toshiba is committed to playing a leading role in helping establish a sustainable society. At Toshiba, we recognize the Earth is an irreplaceable asset and we believe it is the duty of humankind to hand it over to future generations as we found it, if not in better condition. Accordingly, Toshiba promotes solid environmental management practices across all our products and business processes, focusing on: Reduction of Contribution to Global Warming, Control of Chemical Substances, Efficient Utilization of Resources.*

*“Every year since 2004, the Toshiba President’s ‘ASHITA’ (Japanese for tomorrow) Awards are presented to a company or employees who made an outstanding contribution to strengthen and promote good corporate citizenship activities throughout the Toshiba Group worldwide to earn the trust of society and to ensure sustainable development in the community we operate.”*

*Students should suggest innovative, creative, and feasible ideas on sustainable products and safe disposal.*

### **Critical-Thinking Exercises**

1. How does an organization create a customer?

*Organizations create customers by applying the marketing concept and adhering to customer orientation. They anticipate needs and provide innovative products and services to satisfy those needs. This means that organizations need to research the marketplace and demonstrate a companywide commitment to satisfying customer needs. The demonstration of high ethical standards can also attract new customers.*

2. How can marketers use interactive marketing to convert needs to wants and ultimately build long-term relationships with customers?

*Back-and-forth communication is the key to building a relationship with customers. Keep customers informed and seek feedback from them. Interactive marketing allows customers immediate access to information and also allows a company to create customized communications. Technology (Internet—broadband and wireless) is making this easier than ever.*

3. Why is utility such an important feature of marketing?

*Effective marketing converts needs into wants. Form, time, place, and possession utility are ways that a good or service can satisfy the wants of consumers. Marketers need to consider these various forms of utility in order to identify those wants that they can most effectively serve.*

4. What benefits—monetary and nonmonetary—do social responsibility programs bring to a business?

*Improved customer relationships, enhanced employee loyalty, and a positive image in the marketplace are all nonmonetary benefits that lay the groundwork for monetary rewards like improved financial performance.*

5. Why is determining the lifetime value of a customer an important analysis for a company to make?

*It is easier and less costly to satisfy and keep existing customers than it is to acquire new ones. Customer lifetime value helps to illustrate this point and helps companies resist the temptation to revert to transaction-based marketing practices.*

6. Why is it important for a firm to establish high ethical standards for sustainability? What role do you think marketers play in implementing these high standards?

*Firms stand to gain needed credibility from their efforts to protect the environment by reducing waste and pollution. Not only has the recent economic downturn made it important for them to cut waste and cost as never before, including the costs of damage to the environment, but consumers now are more aware of the real need for such drives—and ready to support them. Sustainability and social responsibility officers agree that sustainability must permeate the firm's corporate strategy from the top down, so all areas in the firm can align their environmental goals in the same direction for the greatest effectiveness.*

## **Ethics Exercises**

You are having lunch with a friend who works for an advertising agency that competes with yours. Suddenly he remembers an errand he has to run before returning to work, and he rushes off with a hasty goodbye after giving you some money to cover his lunch. As you gather your things to leave a few minutes later, you realize your friend left his notebook computer on the table, open to a report about a client. Your company is very interested in doing some work for this client in the future.

1. Would you take a quick look at the contents of the folder before you return it to your friend? Why or why not?
2. Would you share any information in the report with anyone in your office? Why or why not?
3. When you return the notebook to your friend, would you mention the contents and offer your own commentary on them? Why or why not?

*Student responses to the ethical situation presented may vary, and with most of the ethics exercises in Contemporary Marketing, there aren't necessarily right or wrong answers.*

*Some students will argue that the folder material is private work product and it is unethical for you to look at the papers and certainly unethical of you to share the material with your organization. Others may disagree. Many students may question the ethical and professional judgment of the person who brought such sensitive material to a lunch with a friend who works for a competitor.*

## Internet Exercises

1. **Exploring the CMA's website.** The Canadian Marketing Association's website contains lots of useful and interesting information for students and others. One section is devoted to careers. Visit the CMA's website (<http://www.the-cma.org>). Answer the following questions:

- Describe the Canadian Marketing Association. What is its purpose?
- Click on "Find a Job" to visit *marketing-jobs.ca*. Find three marketing jobs you think you would like. What makes these jobs attractive to you?
- Click on "Student Membership." (See Membership Information on right side of page.) What are the benefits of having a student membership?

*This is a great website with a wealth of information for those considering a marketing career. One purpose of this exercise is to get students to explore the website. Students may have different responses to some questions depending on what they view. Be sure to review the website prior to assigning this exercise. The content is very fluid and the very specific questions asked here may not be readily addressed.*

2. **Event marketing.** The Westminster Kennel Club runs one of the largest and most famous dog shows in the world. Review its website (<http://www.westminsterkennelclub.org>) and prepare a brief report relating what you learned to the material on event marketing in the chapter. Make sure to describe sponsor tie-ins and other joint marketing efforts.

*The Westminster Kennel Club Dog Show is a two-day, all-breed benched conformation show that takes place at Madison Square Garden in New York City every year. This website will help students to collect a lot of information regarding event marketing, event management, public relations, charities, joint marketing, advertising, and online presence.*

3. **Sustainability.** Johnson & Johnson engages in a major effort to incorporate sustainability into its wide-ranging business activities. Visit the website listed here (<http://www.jnj.com/connect/caring/environment-protection/>) and read about the firm's recent activities. How does Johnson & Johnson promote sustainability? What are some specific examples?

*Johnson & Johnson is involved with many causes and advertising campaigns that encourage healthy lifestyles and support those people who care for the health of others. Students can visit this website, and make a report on the various initiatives, campaigns, advertisements, and measures taken by Johnson & Johnson to promote sustainability. The "Company Initiatives" section will give a better understanding to the students.*

### Case 1.1 "Reinventing IBM"—Questions for Critical Thinking

1. How do IBM's plans for its goods and services meet the definition of marketing? How do you think they help create utility?

*Students may have varying opinions. However, in general, marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. It creates time, place, and ownership utilities. The IBM that relied nearly exclusively on computer manufacturing is now turning to software and services to provide it with a competitive edge in today's marketplace. To increase its margins, IBM first reduced its costs, in part by hiring lower-*

*cost labour in India to run its data centres and to help its customers maintain their IBM software products. It is now focusing on higher-end services in new fields such as energy management and conservation, fraud detection, etc.*

2. IBM has linked partnerships with Google and Sun Microsystems. What other partnerships do you think might be useful to its future plans? Why?

*Student answers will vary. Among others, answers may include partnerships or alliances in the telecom space, social media, blogging, content, designing, and wireless technology. Students should be asked to provide a rationale for each partnership that they think of.*

### **Case 1.2 “Hewlett-Packard Reduces, Reuses, Recycles”—Questions for Critical Thinking**

1. What kind(s) of marketing utility do you think Hewlett-Packard’s sustainability efforts provide for its customers? Are there any downsides to these programs?

*Students may have varying opinions. However, in general, marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. It creates time, place, and ownership utilities.*

2. HP has entered a partnership with the National Cristina Foundation to accept used computer equipment for donation. What other partners, or types of partners, might help the company achieve its sustainability goals in the future?

*Student answers will vary. Among others, answers may include partnerships or alliances in the telecom space, social media, blogging, content, designing, and wireless technology. Students should be asked to provide a rationale for each partnership that they think of.*

### **Video Case Synopsis “Marketing: Satisfying Customers at Flight 001”—Questions for Critical Thinking**

1. How important are Flight 001's strategic alliances to their marketing?

*In past marketing eras, businesses viewed outside firms and suppliers as competitors. Today's marketers have discovered that it is possible in many instances to develop corporate partnerships that combine resources and capital to create competitive advantages. Flight 001's marketing partners have included airlines such as Northwest, automakers such as Mini Cooper, and industrial designers such as Yves Behar. These alliances have produced successful marketing initiatives and product launches in stores. The owners say strategic alliances are important because they help advertise Flight 001 products to a very specific customer: fashion-minded travellers. In addition, the partnerships provide free marketing and advertising opportunities. This is especially important since Flight 001 does not use paid advertising.*

2. What other companies or industries would be a good fit with Flight 001?

*Answers will vary, but students are likely to see a natural synergy between Flight 001 and other travel-related companies. Possible strategic partners might include travel guide firms such as Lonely Planet and Citysearch, online services such as Priceline and Expedia, luggage manufacturers such as Samsonite, cosmetic companies such as L'Oreal, and PDA makers such as Apple and Research In Motion.*



### 3. What role does the design of the store play in marketing?

*The fuselage-shaped designs of Flight 001 stores help create a unique, memorable brand identity. In addition, the airplane-like retail atmospherics are fun and fashionable. The store design creates tremendous word-of-mouth "buzz," which is important since Flight 001 doesn't use paid advertising.*

## COLLABORATIVE LEARNING EXERCISES

### Definition of Marketing

#### Purpose:

To introduce marketing in a way that your students will understand on a more personal level

#### Background:

The formal definition of marketing is rather abstract, which makes it somewhat difficult for many students to grasp. This quick, discussion-based exercise helps students understand the impact of marketing on a more concrete yet personal level, which should lead to a better understanding of the formal definition.

#### Relationship to Text:

What Is Marketing?

#### Estimated Class Time:

Less than 10 minutes

#### Preparation/Materials:

None needed

#### Exercise:

Ask your class how many of them ate anything during the last meal time (breakfast, lunch, or dinner), depending on the time of your class. Then call on individual students to share what they ate. Be sure to ask specific questions regarding the marketing mix. For example, why did you choose that cereal? Who bought the bacon and eggs? From what store? Why did you go to Tim Hortons? Where did you first hear of that pancake house? With your guidance, they will quickly see the impact of product, price, place, and promotion on their day-to-day lives, which will help them internalize the broader meaning of marketing.

#### Questions for Reflection:

- Beyond the elements of the marketing mix, what factors influence consumer decision making?
- Do you think the marketing field is ethical? Socially responsible? Why or why not?
- Can not-for-profit organizations benefit from marketing? How?

### Not-for-Profit Marketing

#### Purpose:

To highlight a key challenge of not-for-profit marketing

#### Background:

While more than 2 million Canadians are employed by not-for-profit organizations, many students do not recognize that marketing plays a critically important role at these institutions. This quick,

discussion-based exercise is designed to highlight not just the importance of marketing but also a key difference in marketing within not-for-profits: the frequent need to focus on multiple “publics.”

Relationship to Text:

Characteristics of Not-for-Profit Marketing

Estimated Class Time:

About 10 minutes

Preparation/Materials:

Marker and white board

Exercise:

Ask your students to brainstorm the various “publics” that your university, college, or business school targets. Students should be able to quickly identify the various publics as students and faculty, but it often takes them a moment to recognize how broad the list can actually be. (The less obvious possibilities include employers, taxpayers, book publishers, the local community, etc.) Write their responses on the board, and then ask them to consider the list. How does their school prioritize those publics? Why? How do they see the results of these decisions? Do they agree or disagree with the school’s approach? The student comments are typically interesting and thoughtful. In fact, you may want to ask someone from your school’s marketing group to join the discussion, add real-world insights, and benefit from the students’ perspectives.

Questions for Reflection:

- Why do not-for-profit organizations often need to serve multiple publics?
- Does this characteristic make them more or less effective? Why?

## Person Marketing

Purpose:

To demonstrate the prevalence and power of person marketing in pop culture

Background:

From athletes to entertainers to politicians, person marketing surrounds us all on a continual basis. This exercise is designed to help students understand the various tools and techniques of person marketing and to examine how it can affect the image of a person in the public eye.

Relationship to Text:

Person Marketing

Estimated Class Time:

About 15 minutes

Preparation/Materials:

None needed

Exercise:

Brainstorm with your class a list of high-profile people who need an image makeover (essentially celebrities who are in trouble). Encourage them to consider athletes, actors, musicians, entertainers, and politicians who have legal problems, substance abuse issues, or just a tendency to do or say the wrong thing. Briefly explain why each person needs help. Possibilities include Charlie Sheen, Lindsay Lohan, Kobe Bryant, Martha Stewart, Janet Jackson, Courtney Love, etc.

When you have a list of 10 to 15 people, discuss with your class the various tools and techniques of person marketing. Possibilities could include everything from straightforward methods such as direct advertising or supporting a high-profile charity, to more subtle methods such as creating a distraction (e.g., getting married for the ninth time). Then divide your students into small groups and charge each group with rehabilitating the image of the person of their choice. (This exercise works well even if multiple groups choose the same person.) Five to 10 minutes should be enough time. Reconvene as a class, and ask each group to present its plan, beginning with the objective and following with the strategy. The plans are almost always both instructive and amusing.

Questions for Reflection:

- What are the unique challenges to person marketing?
- Who has done an especially strong job with person marketing? Why?

## Place Marketing

Purpose:

To stimulate student thinking about the potential impact of place marketing

Background:

Over the past 10 years, place marketing has blossomed, as a growing number of cities and states have actively marketed themselves to both businesses and tourists. Among the high-profile examples is Las Vegas, which recently introduced a \$25 million marketing campaign promoting their racy new slogan: "What Happens Here, Stays Here." This exercise is designed to help students explore the multiple possibilities of place marketing.

Relationship to Text:

Place Marketing

Estimated Class Time:

About 15 to 20 minutes

Preparation/Materials:

None needed

Exercise:

Divide your class into small groups and challenge them to develop a plan to lure businesses and tourists to their city. Questions to consider (and you might want to write these on the board):

- What would their slogan be?
- What qualities and attractions would they promote, and why?
- What challenges would they need to overcome?
- What companies or organizations might they choose as partners and why?

Encourage your students to push the envelope in creative thinking and innovative ideas. Then reconvene as a class for brief presentations of the slogans and the plans. To bolster the competitive spirit, you may want to ask the class to vote on the best package.

Questions for Reflection:

- Is place marketing a good way to spend taxpayer dollars? Why or why not?
- What are some private destinations (e.g., Disney World) that have done especially well at place marketing? What tools have they used?

## Creativity

### Purpose:

To emphasize the importance of creativity in marketing

### Background:

In today's hyper-competitive marketplace, businesses must differentiate their products and services from the wide range of alternatives. While dynamic innovation is rare (and life-changing), many successful products depend on providing a new twist on an existing item. Examples include Apple's translucent, multicoloured computer monitors and Colgate's pump toothpaste dispenser. This activity is designed to exercise the creativity that is crucial for business innovation.

### Relationship to Text:

Competitive Differentiation  
Critical Thinking

### Estimated Class Time:

About 10 minutes

### Preparation/Materials:

None needed

### Exercise:

Rebus puzzles present common words and phrases in novel orientation to one another. The goal is to determine the meaning. Write each puzzle on the board, and challenge your students to determine the meaning. NOTE: Often one student "gets it" instantly—if so, you may want to ask that person to hold off for a moment to give others a chance. The puzzles (and the answers) are below. To go one step further, ask students to create their own rebus puzzles.

ARREST  
YOU'RE  
(You're under arrest.)

abcdefghijklmno  
pqrstuvwxyz  
(Missing link)

HISTORY  
HISTORY  
(History repeats itself.)

TimeTime  
(Time after time or double time)

Chimadena  
(Made in China)

YYYGuy  
(Wise guy)

RIGHTRIGHT  
(Equal rights)

scope  
(Microscope)

MEREPEAT  
(Repeat after me)

XQQQMe  
(Excuse me!)

BAN ANA  
(Banana split)

BPULSEIANSEUSRSE  
(Mixing business with pleasure)

Questions for Reflection:

- How can companies nurture creativity? How can they stifle it?
- How important is creativity to a successful career?
- What are some ways that you could exercise your own creativity?

## CHAPTER 2

# STRATEGIC PLANNING IN CONTEMPORARY MARKETING

### CHAPTER OVERVIEW

Today's marketers face strategic questions every day. Planning strategy is a critical part of their jobs. The marketplace changes continually in response to changes in consumer tastes and expectations, technological developments, competitors' actions, economic trends, and political and legal events, as well as product innovations and pressures from suppliers and distributors.

Although the causes of these changes often lie outside a marketer's control, effective planning can anticipate many of them. For example, when the price of gas and jet fuel soared recently, travellers opted to stay close to home instead of enjoying vacations to exotic, faraway places. This represented an opportunity for places like Banff, Alberta, and Niagara Falls, Ontario. Any destination that promoted itself to potential vacationers within a short drive could find itself adding up the profits.

This chapter lays a foundation for analyzing all aspects of marketing by demonstrating the importance of gathering reliable information to create an effective plan. These activities provide a structure for a firm to use its unique strengths. Marketing planning identifies the markets a company can best serve as well as the most appropriate mix of approaches to satisfy the customers in those markets. While this chapter focuses on planning, in later chapters the task of marketing research and decision making will be explored.

### Changes in the Third Canadian Edition

The chapter has been updated and revised, with new features in several areas:

- **The Opening Vignette and Connecting with Customers** profile a business you may not have heard of—Afexa Life Sciences—and the “ups and downs and ups” it has experienced as it tries to establish itself in the marketplace. The company was originally called CV Technologies. It is an exciting Canadian marketing story. CV Technologies is a firm that effectively combines traditional marketing media—radio and television ads and point-of-purchase displays—with newer promotion techniques: public relations, celebrity endorsements, and word-of-mouth promotion. An interesting aspect worthy of class discussion is the value of marketing to this technology firm. It has been spending as much as 20 percent of its revenue on marketing expenses as it has been attempting market penetration, product development, and market development as growth strategies.
- **Solving an Ethical Controversy** analyzes the case of celebrity endorsements. It also discusses the question “Should companies hold the celebrities who endorse their products accountable for their personal actions?” The issue of brands being identified with celebrities and the effect of their personal life on the performance of their endorsed brand is also analyzed. The pros and cons of this issue are discussed in “Tiger Woods Drives His Career into the Rough.”
- **Go Green** describes how the Canadian retail industry is helping create environmentally responsible consumers. Canadian consumers are among the world's most environmentally conscious. Marketers who are best prepared for the movement toward environmental sustainability will have a competitive advantage as this movement continues. Today, “Green Bags Outnumber Canadians.”

- **Marketing and the SME** describes the way a small entrepreneurial firm is changing the way divorce is happening around the world. President and CEO Karen Stewart says, “[It] is about educating the public on the entire process of divorce, from removing emotions from decision making, to working to preserve the dignity of the family.” Find out more in “Fairway Divorce Solutions: Franchising a Fair Way to Divorce.”
- **Marketing in a Digital World** describes how social media can help you increase your visibility, stay in touch with your target audience, and find prospective customers. There are some potential pitfalls for you to consider though. Get good advice in “Adding Social Media to Your Marketing Strategy.”
- **Career Readiness** provides some simple guidelines to ensure the success of a conference over the phone or Internet. For details, refer to “Going Across the Country or Around the World through Virtual Meetings.”
- **Chapter Case 2.1** “Food Fight” features two Canadian pizza companies—Pizza Pizza and Panago Pizza—as they fight for pizza dominance. The two companies are engaging each other across Canada as they implement strong growth strategies in a fierce battle for market share.
- **Chapter Case 2.2** “Starbuck’s Strategy: It’s a Small World After All” describes Starbucks and its aggressive growth strategy, including plans to open many new stores in various international markets. The company intends to target younger consumers throughout the world, and is scouting countries and locations for more Starbucks stores. It is developing strategic alliances and partnerships in several markets, but it has also been subject to an unpredictable and uncontrollable political environment in some regions. In other regions, the economic environment poses a challenge and, in other regions, the social-cultural environment may be an obstacle.
- **Collaborative Learning Exercises** are provided in several areas related to strategic planning and the marketing process—Planning Throughout the Organization, Defining the Organization’s Mission and Objectives, Strategic Planning, Formulating a Marketing Strategy, Promotion Strategy and Pricing Strategy, The Marketing Environment, and BCG Matrix.
- **Video Case Synopsis** includes an overview of strategic planning and the marketing process at Preserve, a consumer products company.

## LECTURE OUTLINE

Opening Vignette and Connecting with Customers—Afexa Life Sciences, formerly CV Technologies, has been selling its flagship product, COLD-FX, since 1996. It has been employing a variety of growth strategies and is now attempting both product development and market development as it attempts to achieve greater success.

**Chapter Objective 1: Distinguish between strategic planning and tactical planning.**

**Key Terms:** planning, marketing planning, strategic planning, tactical planning

**PowerPoint Basic:** 3

**PowerPoint Expanded:** 3-5

<p>Career Readiness— Going Across the Country and Around the World through Virtual Meetings. <i>Ask students to provide a few other suggestions to ensure that participants stay focused during virtual meetings.</i></p>	<ol style="list-style-type: none"> <li>1. Marketing planning: the basis for strategy and tactics             <ol style="list-style-type: none"> <li>a. Definition of <u>planning</u>: the process of anticipating future events and conditions and then determining the best way to achieve organizational objectives</li> <li>b. Planning is important for both large and small companies.</li> <li>c. Marketing planning                 <ol style="list-style-type: none"> <li>i. <u>Marketing planning</u> refers to implementing planning activities devoted to achieving marketing objectives.</li> <li>ii. An important trend in marketing planning centres on relationship marketing.</li> </ol> </li> <li>d. Good relationships with customers can arm a firm with vital strategic weapons.</li> <li>e. Many companies now include relationship-building goals and strategies in their marketing plans, maintaining databases to track customer preferences.</li> </ol> </li> <li>2. Strategic planning versus tactical planning             <ol style="list-style-type: none"> <li>a. <u>Strategic planning</u> is defined as the process of determining an organization’s primary objectives and adopting courses of action that will achieve these objectives.</li> <li>b. Strategic planning includes allocation of resources, and provides long-term directions for the decision makers.</li> <li>c. <u>Tactical planning</u>, a complementary approach to strategic planning, guides the implementation of activities specified in the strategic plan.</li> <li>d. It addresses shorter-term actions, focusing on activities that need to be completed so that larger strategies can be implemented.</li> </ol> </li> </ol> <p><b>Assessment check questions</b></p> <ol style="list-style-type: none"> <li>1. Define planning. <i>Planning is the process of anticipating future events and conditions and of determining the best way to achieve organizational objectives.</i></li> <li>2. Give an example of strategic planning and tactical planning. <i>To survive in a challenging environment of soaring fuel costs, several airlines around the world have decided to merge as part of their strategic planning. Tactical plans include cutting the number of flights and charging passengers extra for checked baggage.</i></li> </ol>
<p><b>Chapter Objective 2: Explain how marketing plans differ at various levels in an organization.</b></p> <p><b>Key Terms:</b> none</p> <p><b>PowerPoint Basic:</b> 4</p> <p><b>PowerPoint Expanded:</b> 6</p>	
<p>Table 2.1 Planning at Different Managerial Levels. <i>Which managers focus most on broad goals and long-term planning? Which managers focus most on planning for day-to-day tasks?</i></p> <p><i>Note: Discuss how two</i></p>	<ol style="list-style-type: none"> <li>1. Planning at different organizational levels             <ol style="list-style-type: none"> <li>a. Managers at all organizational levels devote some of their attention to planning activities.</li> <li>b. The amount of time spent on planning activities and the types of planning vary by organizational level.</li> </ol> </li> <li>2. Top management (CEO and functional vice-presidents)             <ol style="list-style-type: none"> <li>a. Spend more of their time on planning than do lower-level managers</li> <li>b. Usually focus more on long-range strategic issues</li> </ol> </li> <li>3. Middle management             <ol style="list-style-type: none"> <li>a. Tend to focus on operational planning, which includes creating</li> </ol> </li> </ol>



<p><i>companies approached a similar problem differently, with different results. How Yahoo! and Microsoft approached competing against Google is one good example.</i></p>	<p>and implementing tactical plans for their own departments</p> <ol style="list-style-type: none"> <li>b. Supervisors often develop specific programs to meet goals in their areas of responsibility.</li> <li>c. To be most effective, the planning process includes input from a wide range of sources, including employees, suppliers and customers.</li> </ol> <p><b>Assessment check questions</b></p> <p>1. How do marketing plans differ at different levels of the organization? <i>Top managers usually focus their planning activities on long-range strategic issues. In contrast, middle-level managers focus on operational planning, which includes creating and implementing tactical plans for their own units. Supervisors develop specific programs to meet goals in their areas of responsibility.</i></p> <p>2. Why is it important to get input from others when planning? <i>Input from a variety of sources—other employees, suppliers, or customers—helps ensure that many ideas are considered. Involving those people in planning can also turn them into advocates for the plan.</i></p>
<p><b>Chapter Objective 3: Identify the steps in the marketing planning process.</b></p> <p><b>Key Terms:</b> mission, marketing strategy</p> <p><b>PowerPoint Basic:</b> 5-8</p> <p><b>PowerPoint Expanded:</b> 7-11</p>	
<p>Figure 2.1 The Marketing Planning Process. <i>Which step might be more difficult than it seems? Which step do you think can be easily overlooked?</i></p> <p><i>Note: Choose a couple of local organizations and use their mission statements as class examples.</i></p> <p>Go Green: Green Bags Outnumber Canadians. <i>Ask students to identify companies for which the “green” environment creates an opportunity and for which it constitutes a threat.</i></p>	<ol style="list-style-type: none"> <li>1. Steps in the marketing planning process             <ol style="list-style-type: none"> <li>a. Define the mission.</li> <li>b. Determine objectives.</li> <li>c. Assess resources.</li> <li>d. Evaluate environmental risks and opportunities.</li> <li>e. Formulate a marketing strategy.</li> <li>f. Implement the strategy through operating plans.</li> <li>g. Gather feedback to monitor and adapt strategies when necessary.</li> </ol> </li> <li>2. Defining the organization’s mission and objectives             <ol style="list-style-type: none"> <li>a. The organizational mission                 <ol style="list-style-type: none"> <li>i. The <u>mission</u> is the essential purpose that differentiates the organization from others.</li> <li>ii. The mission statement specifies the organization’s overall goals and operational scope and provides general guidelines for future management actions.</li> <li>iii. Adjustments made to mission statement reflects changing business environments and management philosophies.</li> </ol> </li> <li>b. The organizational objectives                 <ol style="list-style-type: none"> <li>i. The basic objectives, or goals, in a firm’s mission statement guide the development of supporting marketing goals and plans.</li> <li>ii. Objectives should state specific intentions and specify a time period for specific achievements.</li> </ol> </li> </ol> </li> <li>3. Assessing organizational resources and evaluating environmental risks and opportunities             <ol style="list-style-type: none"> <li>a. This consists of an assessment of an organization’s strengths, weaknesses, and available opportunities.</li> <li>b. Organizational resources include capabilities of the firm’s</li> </ol> </li> </ol>

<p><i>Do advertisements viewed as personalized by marketers invade privacy? Do you think the potential of mobile advertising will provide a competitive edge?</i></p>	<p>production, marketing, finance, technology, and employees.</p> <p>c. Environmental effects can emerge both from within the organization and from the external environment.</p> <p>4. Formulating, implementing, and monitoring a marketing strategy</p> <p>a. A good marketing plan revolves around an efficient, flexible, and adaptable marketing strategy.</p> <p>b. A <u>marketing strategy</u> is an overall, companywide program for selecting a target market and satisfying customers in that market through the elements in the marketing mix—product, distribution, promotion, and price.</p> <p>c. The strategy must be monitored to ensure that objectives are being met.</p> <p>5. In the two final steps of the planning process, marketers put the marketing strategy into action; then they monitor performance to ensure that objectives are achieved.</p> <p>6. Sometimes strategies need to be modified if the product’s or company’s actual performance is not in line with expected results.</p> <p><b>Assessment check questions</b></p> <p>1. Distinguish between an organization’s mission and its objectives. <i>The firm’s mission is the essential purpose that differentiates the company from others. Its objectives guide development of supporting marketing objectives and plans. Sephora’s mission is to be “the beauty authority.” One of its objectives might be to convert all its packaging to recycled materials.</i></p> <p>2. What is the importance of the final step in the marketing planning process? <i>In the final step of the marketing planning process, managers monitor performance to ensure that objectives are achieved.</i></p>
<p><b>Chapter Objective 4: Describe successful planning tools and techniques, including Porter’s Five Forces model, first and second mover strategies, SWOT analysis, and the strategic window.</b></p> <p><b>Key Terms:</b> Porter’s Five Forces, first mover strategy, second mover strategy, SWOT analysis, strategic window</p> <p><b>PowerPoint Basic:</b> 9-12</p> <p><b>PowerPoint Expanded:</b> 12-17</p>	
<p>Solving an Ethical Controversy: Tiger Woods Drives His Career into the Rough</p> <p>Figure 2.2 Porter’s Five Forces Model. <i>Choose one of the forces and think of the ways it relates to a real-world marketing situation.</i></p>	<p>1. Successful strategies: tools and techniques</p> <p>a. Four tools for marketing planning include Porter’s Five Forces model, first and second mover strategies, SWOT analysis, and the strategic window.</p> <p>b. All these planning strategies have the goal of creating a sustainable competitive advantage for a firm, meaning that other companies cannot provide the same value.</p> <p>2. Porter’s Five Forces</p> <p>a. <u>Porter’s Five Forces</u> is a model that identifies five competitive forces that influence planning strategies.</p> <p>b. Porter later updated his model to include the impact of the Internet on the strategies that businesses use.</p> <p>c. They are:</p> <p>i. The threat of new entrants—is influenced by the cost and difficulty of entering a market. The Internet has reduced the barriers to market entry in many industries.</p> <p>ii. Bargaining power of buyers—can influence the firm’s</p>

<p>Marketing and the SME: Fairway Divorce Solutions: Franchising a Fair Way to Divorce. Ask students whether this new business model can benefit from a first mover advantage, and how it can do so.</p> <p>Figure 2.3 SWOT Analysis. Think of a well-known product and its possible weaknesses and threats. Then consider its strengths and opportunities.</p> <p>Note: An example of a strategic window: During the extended period when HP and Compaq struggled to complete their merger, Dell Computer aggressively courted Compaq's large corporate customers trying to leverage Dell's strengths and take advantage of the confusion caused by the pending HP/Compaq merger.</p>	<p>strategy as customers can easily find alternate suppliers and do price comparisons and switch to a better supplier</p> <ul style="list-style-type: none"> <li>iii. Bargaining power of suppliers—is influenced by the number and size of suppliers</li> <li>iv. The threat of substitute products—can be either products from a competing firm or industry</li> <li>v. Rivalry among competitors—all the above four factors influence rivalry</li> </ul> <p>d. Issues such as cost and differentiation or lack of differentiation of products—along with the Internet—influence the strategies that companies use to stand out from their competitors.</p> <p>3. First mover and second mover strategies</p> <ul style="list-style-type: none"> <li>a. A <u>first mover strategy</u> advocates that a company that is first to offer a product will be the long-term market winner. Being first may also refer to entering new markets with existing products or creating significant innovations that effectively turn an old product into a new one.</li> <li>b. A <u>second mover strategy</u> advocates close observation of the innovations of first movers and then improving on them to gain market advantage</li> </ul> <p>4. SWOT analysis</p> <ul style="list-style-type: none"> <li>a. <u>SWOT analysis</u> helps planners compare internal organizational strengths and weaknesses with external opportunities and threats.</li> <li>b. “SWOT” is an acronym for <i>strengths, weaknesses, opportunities, and threats</i>.</li> <li>c. This is an important strategic planning tool.</li> <li>d. SWOT – strengths             <ul style="list-style-type: none"> <li>i. A set of core competencies—what the organization does well</li> <li>ii. Core competencies are capabilities that customers value and competitors find difficult to duplicate.</li> <li>iii. Matching an internal strength with an external opportunity produces a situation known as leverage.</li> </ul> </li> <li>e. SWOT – weaknesses             <ul style="list-style-type: none"> <li>i. Environmental threats can attack an organization's weaknesses.</li> <li>ii. Planners must anticipate constraints when internal weaknesses or limitations prevent their organization from taking advantage of opportunities.</li> </ul> </li> </ul> <p>5. Strategic window</p> <ul style="list-style-type: none"> <li>a. The <u>strategic window</u> refers to the limited periods when key requirements of a market and the particular competencies of a firm best fit together.</li> <li>b. The view through a strategic window shows planners a way to relate potential opportunities to a firm's capabilities.</li> <li>c. It requires a thorough analysis of three elements:             <ul style="list-style-type: none"> <li>i. Current and projected external environmental conditions</li> <li>ii. Current and projected internal company capabilities</li> <li>iii. How, whether, and when the firm can reconcile environmental conditions and company capabilities in order to implement one of the strategies</li> </ul> </li> </ul>
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	<p><b>Assessment check questions</b></p> <p>1. Briefly explain each of Porter’s Five Forces. <i>Porter’s Five Forces are the threats of potential new entrants, which increases competition in a market; bargaining power of buyers, which can depress prices; bargaining power of suppliers, which can increase cost or reduce selection; threat of substitute products, which can lure customers to other products; and rivalry among competitors, which can bring about price wars or divert companies from their main goals.</i></p> <p>2. What are the benefits and drawbacks of a first mover strategy? <i>The benefits of a first mover strategy include capturing the greatest market share and developing long-term relationships with customers. Disadvantages include the possibility that companies that follow can learn from mistakes by first movers. Virgin Galactic hopes to be a first mover in the commercial space travel industry.</i></p> <p>3. What are the four components of the SWOT analysis? What is a strategic window? <i>SWOT analysis helps planners compare internal organizational strengths and weaknesses with external opportunities and threats. SWOT is an acronym for strengths, weaknesses, opportunities, and threats. A strategic window defines the limited periods when the key requirements of a market and a firm’s particular competencies best fit together.</i></p>
<p><b>Chapter Objective 5: Identify the basic elements of a marketing strategy.</b></p> <p><b>Key Terms:</b> marketing mix, product, product strategy, distribution strategy, promotion strategy, pricing strategy</p> <p><b>PowerPoint Basic:</b> 13, 14</p> <p><b>PowerPoint Expanded:</b> 18- 26</p>	
<p><i>Note: Ask students to compare products of a company aimed at different target markets, in terms of the marketing mix variables. You could consider automobiles, computers, and mobile phones as examples. For instance, netbooks, laptops for students, and laptops for business could be compared.</i></p> <p>Marketing in a Digital World: Adding Social Media to Your Marketing Strategy. <i>Ask students which companies and products can benefit from adding social media to their promotion strategy.</i></p>	<ol style="list-style-type: none"> <li>1. Elements of a marketing strategy             <ol style="list-style-type: none"> <li>a. An effective marketing strategy does several things:                 <ol style="list-style-type: none"> <li>i. It reaches the right buyers at the right time</li> <li>ii. It persuades them to buy the product</li> <li>iii. It develops a strong relationship with them over time</li> </ol> </li> <li>b. The basic elements of a marketing strategy consist of two concepts:                 <ol style="list-style-type: none"> <li>i. the target market</li> <li>ii. the marketing mix variables that combine to satisfy the needs of the target market</li> </ol> </li> </ol> </li> <li>2. The target market             <ol style="list-style-type: none"> <li>a. The target market is a group of consumers toward whom the firm aims its marketing efforts, and ultimately its goods and services.</li> <li>b. Diversity plays an ever-increasing role in targeting markets.                 <ol style="list-style-type: none"> <li>i. The Chinese and South Asian populations are becoming influential target markets in Canada.</li> <li>ii. Targeting consumers in specific global markets also represents a challenge—and an opportunity</li> </ol> </li> </ol> </li> <li>3. Marketing mix variables             <ol style="list-style-type: none"> <li>a. Marketing decisions can be divided into several variables or strategies that form the total package, called the <u>marketing mix</u>.</li> <li>b. The four marketing mix variables are product, distribution, promotion, and pricing strategies.</li> <li>c. The marketing mix consists of a blend of these four variables to fit the needs and preferences of a specific target market.</li> </ol> </li> <li>4. Product strategy</li> </ol>

<p>Figure 2.4 Elements of a Marketing Strategy and Its Environmental Framework. <i>Discuss how each strategy reaches, persuades, and develops a relationship with buyers.</i></p> <p><i>Note: Ask students for examples of companies that formed alliances as a distribution strategy.</i></p>	<ul style="list-style-type: none"> <li>a. The term <u>product</u> means more than a good, service, or idea—it refers to a broad concept that also encompasses the satisfaction of all consumer needs in relation to a good, service, or idea.</li> <li>b. So <u>product strategy</u> involves more than just deciding what goods or services the firm should offer to consumer groups.</li> <li>c. It also includes decisions concerning customer service, package design, brand names, trademarks, patents, warranties, the life cycle of a product, product positioning, and new-product development.</li> </ul> <p>5. Distribution strategy</p> <ul style="list-style-type: none"> <li>a. The concept of <u>distribution strategy</u> refers to the ways marketers ensure that consumers find products in the proper quantities at the right times and places.</li> <li>b. Distribution decisions involve: <ul style="list-style-type: none"> <li>i. Modes of transportation</li> <li>ii. Warehousing</li> <li>iii. Inventory control</li> <li>iv. Order processing</li> <li>v. Selection of marketing channels including intermediaries</li> </ul> </li> <li>c. Technology has opened up new channels of distribution in many industries (an example is online selling). The Internet has caused the biggest revolution in distribution since the mail-order catalogue.</li> </ul> <p>6. Promotion strategy</p> <ul style="list-style-type: none"> <li>a. <u>Promotion strategy</u> refers to the communications link between sellers and buyers.</li> <li>b. In developing a promotion strategy, marketers blend the various elements of promotion to communicate most effectively with their target markets.</li> <li>c. Integrated marketing communication (IMC) coordinates all promotional activities so that the consumer receives a unified and consistent message.</li> </ul> <p>7. Pricing strategy</p> <ul style="list-style-type: none"> <li>a. <u>Pricing strategy</u> deals with the methods of setting profitable and justifiable prices.</li> <li>b. It is closely regulated and subject to considerable public scrutiny.</li> <li>c. One factor that influences a marketer’s pricing strategy is competition.</li> <li>d. A good pricing strategy should create value for customers, building and strengthening their relationship with a firm and its product.</li> </ul> <p><b>Assessment check questions</b></p> <p>1. What are the two components of every marketing strategy? <i>The basic elements of a marketing strategy are (1) the target market and (2) the marketing mix variables.</i></p> <p>2. Identify the four strategic elements of the marketing mix. <i>The marketing mix consists of product, distribution, promotion, and price strategies.</i></p>
<p><b>Chapter Objective 6: Describe the environmental characteristics that influence strategic decisions.</b></p> <p><b>Key Term:</b> rule of three</p>	

<p><b>PowerPoint Basic:</b> 15  <b>PowerPoint Expanded:</b> 27, 28</p>	
	<ol style="list-style-type: none"> <li>1. The marketing environment             <ol style="list-style-type: none"> <li>a. Marketing decisions are not made in a vacuum.</li> </ol> </li> <li>2. Marketers make decisions about target markets and marketing mix variables by taking into account the dynamic nature of these five dimensions of the marketing environment:             <ol style="list-style-type: none"> <li>a. Competitive</li> <li>b. Political-legal</li> <li>c. Economic</li> <li>d. Technological</li> <li>e. Social-cultural factors</li> </ol> </li> <li>3. Some recent trends in the marketing environment:             <ol style="list-style-type: none"> <li>a. Expanding into foreign markets</li> <li>b. Technology—especially the Internet</li> <li>c. Marketers are now increasing efforts to get their messages to consumers via smartphone.</li> <li>d. The <u>rule of three</u> means that in any industry, the three strongest, most efficient companies dominate between 70 and 90 percent of the market.</li> <li>e. The importance of understanding prevailing cultural norms—bidding for auction is an example</li> <li>f. The entire marketing environment provides a framework for all marketing activity.</li> </ol> </li> </ol> <p><b>Assessment check questions</b></p> <p>1. What are the five dimensions of the marketing environment? <i>The five dimensions of the marketing environment are competitive, political-legal, economic, technological, and social-cultural factors.</i></p> <p>2. How is concern over the natural environment affecting the other dimensions? <i>Concerns over the natural environment have led to new and tighter regulations on pollution, which affect the political-legal environment in which marketers operate. Efforts toward sustainability are now social-cultural factors as well because consumer awareness is turning into consumer preference.</i></p>
<p><b>Chapter Objective 7: Describe the methods for marketing planning, including business portfolio analysis, the BCG matrix, and the strategic growth opportunity matrix.</b></p> <p><b>Key Terms:</b> strategic business unit (SBU), stars, cash cows, question marks, dogs, market penetration, market development, product development, diversification</p> <p><b>PowerPoint Basic:</b> 16-18  <b>PowerPoint Expanded:</b> 29-35</p>	
	<ol style="list-style-type: none"> <li>1. Methods for marketing planning             <ol style="list-style-type: none"> <li>a. Many firms have developed planning methods to help with marketing decisions.</li> <li>b. Three of these types of methods: the strategic business unit concept, the market share/market growth matrix, and the strategic growth opportunity matrix</li> </ol> </li> <li>2. Business portfolio analysis</li> </ol>



	<p><u>Market penetration</u> involves present products and present markets.</p> <p>ii. <u>Market development</u> involves present products but new markets.</p> <p>iii. <u>Product development</u> involves new products but present markets.</p> <p>iv. <u>Diversification</u> involves new products and new markets</p> <p><b>Assessment check questions</b></p> <p>1. What are SBUs? <i>Strategic business units (SBUs) are key business units within diversified firms. Each SBU has its own managers, resources, objectives, and competitors.</i></p> <p>2. Identify the four quadrants in the BCG matrix. <i>The BCG matrix labels SBUs stars, cash cows, question marks, and dogs. Stars are the products with high market shares in high-growth markets; cash cows command high market shares in low-growth markets; question marks achieve low market shares in high-growth markets; and dogs manage only low market shares in low-growth markets.</i></p> <p>3. Identify the four strategic growth opportunities. <i>The four strategic growth opportunities include market penetration, market development, product development, and diversification.</i></p>
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## ANSWERS AND TEACHING NOTES TO CHAPTER EXERCISES

### Projects and Teamwork Exercises

1. Choose one of the following companies, or select another one whose goods and services are familiar to you. On your own or with a classmate, formulate a mission statement for that company. Then create a list of objectives that reflect your company's mission.

- Mark's Work Wearhouse
- Petro-Canada
- Tim Hortons
- Bell Canada

*When students choose a company whose goods and services are familiar to them and create a mission statement, they might start with companies they particularly admire and check their websites for mission statement ideas. When formulating a mission statement, they should make sure that the company's overall broad objectives are spelled out, its philosophy is stated, and its intentions are listed in a clear-cut and straightforward way.*

2. Using a first mover strategy, Apple's iPod, iPhone, and iPad have clearly established the lead in their markets. Research the products of another firm that produces either a digital music player or a smartphone to learn about its strategy. How has a second mover strategy benefited the firm? Has the second mover firm been able to catch Apple in sales?

*Students should first study Apple and its strategies to be leaders in innovative products, and then they should research the products of another firm that produces either a digital music player or a smartphone to learn about its strategy. They must understand the benefits as well as the risks involved in being a first mover. They must research the sales progress of the second mover firms, and present the findings.*



3. Create a SWOT analysis for yourself, listing your own personal strengths, weaknesses, opportunities, and threats.

*“SWOT” stands for strengths, weaknesses, opportunities, and threat—so a SWOT analysis looks at internal strengths and weaknesses and compares them with external opportunities and threats. To create their own SWOT analysis, students should begin by brainstorming the four categories and coming up with four lists. Then they can review the traits they’ve listed. They might start with the “bad news” first by looking at their weaknesses and the threats out there that might take advantage of these. Point out that they can limit their weak tendencies by anticipating what might hit them—thereby protecting themselves and reducing the chance of outside forces hurting them. Next they can turn to the “good news” and look at the positive side. What are their core competencies (what are they good at)? What opportunities do they see out there? Remind them that they can match one of their internal strengths to an opportunity, creating some leverage for themselves. What have they learned about their own qualities and shortcomings in planning for their future through SWOT?*

4. When rivals Samsung and Sony each unveiled their new 3D TVs at a major electronics store, some consumers couldn’t tell the difference between the two. But the firm’s strategies were very different. Sony now hires outside manufacturing firms to build its TVs, stating that the move will help cut costs and keep the company strong. In addition, Sony plans to add “Sony-unique applications,” including Internet content and streaming Sony films before their DVD release. But Samsung insists on manufacturing its own TVs, including its own computer chips. With a classmate, research these new offerings by both firms and evaluate their marketing strategy. Who is the target market for both of these TVs? How does product, distribution, promotion, and pricing fit into each firm’s overall marketing strategy?

*Students are expected to understand the strategies of Samsung and Sony. In creating marketing strategies, a firm decides to direct its efforts toward a particular group of consumers called a target market. Students will need to narrow their marketing strategy to fit certain specific groups of people, keeping in mind demographics, geographical location, lifestyle, etc. The strategies of Sony and Samsung would be different; hence, students should understand the differences in their approach in depth. Such an effort will help them get clarity on the concepts related to the elements of marketing strategy.*

5. Use your library resources or an Internet search engine to collect information on one of the following companies (or select one of your own). Identify the firm’s target market(s). Note that a large company might have more than one target market. Write a brief proposal for a marketing strategy to reach that market.

- a. MasterCard
- b. Costco
- c. Kia
- d. Lululemon Athletica

*In creating marketing strategies, a firm decides to direct its efforts toward a particular group of consumers called a target market. Students will need to narrow their marketing strategy to fit certain specific groups of people, keeping in mind demographics, geographical location, lifestyle, etc. Remind them that their proposed marketing strategy should have three elements—it should reach the right buyers at the right time, persuade them to buy the product, and lead to strong customer relationships over time. Some possible target markets for the given firms are suggested below, though the class will certainly come up with additional ideas.*

- a. MasterCard—businesspeople, company leaders, young consumers, baby boomers, seniors
- b. Costco—older females, younger females, young families, business purchasers
- c. Kia—baby boomers, females, first-time purchasers
- d. Lululemon Athletica—women, athletes, young adults, personal trainers

6. With a classmate, choose a company whose products you have purchased in the past. Create two ads for one of the company's products (or product lines). One ad should focus on the product itself—its features, packaging, or brand name. The second ad should focus on pricing. Present your ads to the class for discussion. Which ad is more effective for the product and why?

*Have students share the two ads created for a chosen company's products or product lines. Remind them that one ad should highlight the product itself—in some way stressing its features, packaging, or brand name. How can they get the word out on the unique traits of this product? What is unusual or eye-catching about the product that can be played up in an ad? The second ad should focus on pricing. How can price, value, quality, or other features be presented in a way that will encourage potential buyers to notice the product and consider purchasing it? After the demonstrations, start a class discussion on which ads were most effective in informing and persuading.*

7. On your own or with a classmate, research a firm that has been around for a long time, such as Ford, General Electric, or DuPont. Use your research to determine the ways that technology has changed the marketing environment for your firm. Present your findings in class.

*Students can get quite a bit of information from researching a mature company and its evolution over the years. They should have come up with an outline of technological changes and development of products over time, or even a timeline showing technological advances and their impact on the firm's marketing over the decades. A few suggestions on the firms given based on quick searches of their websites:*

*a. Ford—the Model T design, the assembly line, mass production, technology for the Lincoln luxury line, Mercury mid-priced division, Thunderbird sporty line, eventually Mazda, Mazda, Jaguar, Land Rover, Aston Martin, and Volvo, plus newer technology in fuel efficiency and emissions has been incorporated in many models, and new hybrid technology is seen in the Ford Escape and Mercury Mariner.*

*b. General Electric—Thomas Edison's revolutionary incandescent electric lamp, the modern light bulb, the first lamp factory, the airplane engine and early jet engines, the steam turbine, the X-ray machine, the electric fan, electric toaster, plastic filaments for light bulbs, electrical installations, heating and cooking devices including early stoves and refrigerators, the TV set, washing machines, laser light, fibre optics, digital technology, magnetic resonance therapy and ultrasound technology, and much much more.*

*c. DuPont—chemicals and energy-based materials used in products and services for markets in agriculture, nutrition, electronics, communications, safety and protection, home and construction, transportation and apparel, including materials such as cellophane, nylon, plastics, and trademarked goods such as Pioneer® brand seeds, Teflon® fluoropolymers, films, fabric protectors, fibers, and dispersions; Corian® solid surfaces; Kevlar® high-strength material, and Tyvek® protective material.*

8. Suppose you are a marketer for Canadian toy manufacturer MEGA Brands. Top executives at the company have announced their ambition "to be the choice of every family around the world." They want you to look at the market potential in India in the next five years. Write a memo to your manager explaining how you think the social-cultural environment may affect your firm's marketing strategy in India.

*As marketer for a large Canadian toy manufacturer looking to expand overseas and particularly into India, you would want to do some quick research. An Internet search shows more than 800 toy and game manufacturers within the country, plus the competition of three giants—Mattel Toys, Funskool, and Lego—who are the biggest international players there. Apparently soft toys, computer games, dolls, electronic games are available, and not surprisingly, kids want "fun" toys while parents prefer "educational" toys. Ask students about the research they did on the cultural and social factors affecting*

*consumer behaviour and eventual purchase decisions in this nation, and how these elements impacted their memo on a marketing strategy.*

9. Select one of the following industries and research which firms might fall into the top three in the industry, creating a rule of three:
- fast-food restaurants
  - upscale hotels
  - electronics retailing
  - auto manufacturing

*The students should select any industry of their choice and preference from the four options. They must research the various companies in the industry, battling for a higher market share. From the findings, the top three companies that have a market share totaling 70 to 90 percent are to be listed. Few students can also explain the reasons for such domination by these big players of the industry.*

10. On your own or with a classmate, research one of the following large corporations. Select several product lines and classify each in the BCG matrix.
- Sears Canada
  - Johnson & Johnson
  - Conde Nast Publications
  - General Electric (GE)

*Students must select any corporation from the four listed out in the text. From the available product lines, they should select at least 6 to 8 and categorize them into stars, cash cows, question marks, and dogs. Their research should be accurate enough to classify the product lines into the four distinct categories. Students can also graphically represent the product lines in the four quadrants for a better representation of their findings. There should be a discussion over a few product lines that may fall in more than one category.*

### **Critical-Thinking Exercises**

1. Suppose you are a marketer for a Canadian manufacturer of pet supplies. Two top executives have proposed expanding the company by opening retail stores and marketing pets on-site—puppies, kittens, rabbits, birds, fish, and the like. What are the potential benefits and drawbacks of making a move like this? How would you advise your company to proceed?

*A company's strengths reflect its core competencies—what it does well. They are capabilities that customers value and competitors find difficult to duplicate. Straying from core competencies may have potential rewards, such as expanding into more attractive markets, but is also risky. On the other hand, even if a company focuses on its core competencies, sometimes it needs to broaden its offerings to maintain a competitive edge. The benefits could be better reach and coverage. Drawbacks could be inability of the company to leverage the decision. A comprehensive SWOT analysis can help the top management to take the right decision. Students answers may vary.*

2. Netflix has made thousands of streaming videos available to its unlimited subscribers. How does this strategy demonstrate a strategic window for the company?

*The view through a strategic window shows planners a way to relate potential opportunities to company capabilities. Netflix is in a unique position because unlike previous leaders in the movie rental business, it delivers movies and TV series directly to PCs via the Internet. A new system introduced by the company will allow them to sidestep computers and deliver movies directly to television sets.*

3. Choose one of the following products and describe how it may (or already has) become vulnerable to substitution. Then describe an overall strategy—with two or three tactics—for reducing this vulnerability.

- a. printed copies of periodicals or books
- b. television
- c. telephone landlines
- d. travel agencies

*This exercise asks students for an opinion but suggests that students think about products they use. Defending a product from competition might include adding features, delighting customers with better service, improving product quality, or lowering prices.*

4. Research the website of one of the following retail firms to identify its target market. Then outline a strategy for expanding that target market.
- a. Tim Hortons
  - b. Aritzia
  - c. Roots Canada
  - d. Dollarama

*Students may select any one of these retail firms. The target groups must be clearly defined, explained, and a strategy that caters to those groups must be outlined. Ideas for expanding this target market must be feasible, and should be applicable to the current environment. A discussion on how to improve the offerings, and expand the target markets, will help the students to understand the concept in a better way.*

5. Research a company such as Molson Breweries or Kraft Foods that has a number of different successful SBUs. What factors do you think make these units—and this company—successful from a marketing standpoint?

*Student answers may vary. To evaluate each of their organization's strategic business units, students could use the market share/market growth matrix developed by the Boston Consulting Group. Discussion could also focus on how the selected company manages its SBUs.*

## **Ethics Exercises**

Recent tests by the Canadian Food Inspection Agency found 4.3 grams of fat in a McDonald's chicken fajita, advertised as having 2.5 grams of fat; 19.4 grams of fat in KFC chicken strips, advertised as having 12 grams of fat; and 0.7 grams of trans fat—a fat that many consumers try to avoid—in a Fresco soft taco, advertised as having 0.2 grams of trans fat. Frozen diet meals made by Lean Cuisine, Weight Watchers, and Healthy Choice, among others, averaged 8 percent higher in calories than listed on the package labels. Imagine that you are a marketer for a food manufacturer that competes with these firms.

1. Create an advertisement for your firm's food. Decide on a strategy and tactics. Would you follow in the footsteps of some of your competition or use accurate fat and calorie counts? Would you refer to the study that found discrepancies in your competitors' numbers?

*The exercise raises some important issues and students may come up with contradicting opinions. On one hand, the competitors are gaining market share by such unethical practices. On the other hand, beating competition would require attracting consumers using innovative, honest ways. This exercise will put the students in an ethical dilemma, and give solutions that can beat competition in either ethical or unethical ways. Some students may opt to ignore the studies that have discrepancies in the results, whereas, some might follow them.*

2. Would you price your own firm's food higher or lower than the competition's? Why?

*Students can have differing opinions for this question. Some might price the food higher, due to their low calorie count. Some might price the food items lower to attract consumers. The students should justify their solutions and elaborate the reasons for the pricing strategies used for the firm's food items.*

### Internet Exercises

**1. Business portfolio analysis.** Occasionally, companies sell parts of themselves to other firms. One stated motive for such divestitures is that the sold assets are a poor strategic fit for the rest of their business portfolios. One recent example is the sale of a controlling interest in NBC Universal by General Electric to cable giant Comcast. Using a major search engine, research the sale of NBC Universal. In the context of business portfolio analysis, why did GE decide to sell, and why did Comcast decide to buy, NBC Universal?

*Student answers will vary. Students are expected to visit a few websites that provide information on business portfolio analysis, NBC Universal, General Electric, and Comcast. The answers may include some of the information that follows.*

*NBC Universal is a media company—home to a broadcast network, movie studio, and a string of cable networks—which is not a competency for General Electric. However, Comcast provides cable television, broadband Internet, and telephone service to both residential and commercial customers. It may be in a better position to handle NBC's operations.*

**2. Mission and Objectives.** Visit the website of the Sara Lee Corporation (<http://www.saralee.com>), whose slogan is "the joy of eating." Define the firm's mission and objectives, and discuss how its brand and activities support both.

*Student answers may vary. The mission statement of Sara Lee, "To simply delight you...every day" suggests that the firm aims to give its customers a unique experience every time they use its products. The firm's objectives can include fast delivery of products, efficient supply chain management, and so on.*

**3. SWOT Analysis.** Visit the website of an organization whose goods and services interest you—such as Lululemon Athletica, National Hockey League, Travelocity, Apple, or Amazon.ca. Based on your research, create a SWOT analysis for your firm. Outline your own ideas for increasing the firm's strengths and reducing its weaknesses.

*Student answers will vary according to the product and industry they choose. In a SWOT analysis, the strengths of a firm are typically internal and are the core competencies of the firm, like efficient supply chain management, just-in-time inventory system, and so on. The weaknesses are internal, like lack of efficient management. The opportunities are usually external, like the changing customer preferences and the economic situation. The threats would normally include competitors.*

### Case 2.1 "Food Fight"—Questions for Critical Thinking

1. Identify one goal for Pizza Pizza and one goal for Panago Pizza.

*Students can suggest dozens of goals, many of which could serve either competitor. Make sure the goals they select are measurable and time-bound. The following are possible examples.*

- a. Pizza Pizza
  - to add two new dessert items by 2015
  - to increase sales revenue by 6 percent next year

- b. Panago Pizza      - to open 30 new locations in Atlantic Canada by 2015  
                               - to introduce four new wing flavours within two years

2. Describe Pizza Pizza's corporate strategy for growth. Does it differ from Panago Pizza's corporate growth strategy? Explain.

*It is obvious that both companies are following market development (Panago goes east, and Pizza Pizza goes west) and a product development (new flavours, new items) growth strategies. Less obvious, but without doubt, both companies are involved in market penetration as well. Pizza Pizza previously introduced "the slice" as an attempt to grow its sales; Panago has added its personal-sized pizza to compete.*

3. If you were interested in owning a fast-food franchise today, would you prefer to own a franchise of the entrenched brand or of the invading brand? What factors would you consider when making your choice?

*Student answers will vary, and some will likely choose each option. Factors could include franchise fees, growth rates, product assortments, and even personal preferences (known and stable versus new and exciting).*

### **Case 2.2 "Starbucks' Strategy: It's a Small World After All"—Questions for Critical Thinking**

1. Create a brief SWOT analysis for Starbucks, focusing on its plans for international growth. Do you think this strategy is a good one for the company? Why or why not?

*Most students will be able to identify many of Starbucks' strengths, including a strong brand name and a winning marketing strategy. It's perhaps harder to identify weaknesses, but some students may question whether the company has the financial resources to continue to expand rapidly. Opportunities and threats are both identifiable and include high growth potential markets (an opportunity), local tastes and preferences (a possible threat), potential market saturation (a possible threat), and competition (a threat). While there may be some dissenters, a majority of students will likely argue that Starbucks' international growth strategy is sound.*

2. Identify the dimensions of the marketing environment that are most likely to affect Starbucks' strategy for global growth and explain why.

*Students should identify the economic (consumer demand may be sensitive to economic conditions), socio-cultural (will the Starbucks business model and brand appeal to people outside the United States and Canada?), and possible legal (will foreign governments restrict Starbucks' expansion into their markets?) dimensions as having the greatest potential impact on the firm's strategy for global growth.*

### **Video Case Synopsis "Strategic Planning and the Marketing Process at Preserve"—Questions for Critical Thinking**

1. Do you consider Preserve's strategy for the Preserve brand a first mover or second mover strategy? Explain.

*If viewed as a mere recycling company, Preserve is utilizing a second mover strategy—the company is improving upon prior first-mover recycling businesses. However, if thought of as a recycled products company, Preserve is using a first mover strategy, for the company is a pioneer in transforming recycled material into new consumer-goods products. Interestingly, by participating in the company's recycling program, Preserve customers actually supply the raw materials that are transformed into Preserve brand products during manufacturing. Eco-minded consumers have shown great interest in seeing their used plastics transformed into new products.*

2. Perform a SWOT analysis on Preserve. Identify their core competency and their weaknesses in the marketplace.

*A SWOT analysis compares a firm's internal organizational strengths and weaknesses with external opportunities and threats. Preserve's strengths: a compelling "green story"; the ability to make high-quality eco-friendly products at competitive price points; distribution through Whole Foods and Trader Joe's; strong relationship marketing with green customers via Internet and email. Preserve's weaknesses: limited advertising and promotions budget; limited range of materials that can be recycled for use in Preserve brand products; relatively unknown small business. Market opportunities: popular "green products" trend; growing network of green supply chain partners. Market threats: large competitors in personal-care product market; potentially faddish nature of green marketing. Students' answers about Preserve's core competency will vary, but the company's ability to make affordable, high-quality, 100 percent recycled products is a small niche and is difficult for other companies to duplicate.*

## COLLABORATIVE LEARNING EXERCISES

### Planning Throughout the Organization

Purpose:

To highlight a key challenge in gathering information for strategic planning

Background:

Research clearly states that when your entire organization gathers and shares information, the planning process is more effective and better integrated into the organizational culture. But the best way to achieve full employee participation is much less clear. This exercise is designed to help students explore potential approaches to achieve more widespread information sharing.

Relationship to Text:

Planning at Different Organizational Levels

Estimated Class Time:

About 10 to 15 minutes

Preparation/Materials

None needed

Exercise:

Ask your class why they think it is so difficult to achieve a free flow of information and ideas in most companies. As they share their thoughts, you may want to point out that money isn't always the answer; in fact, offering money in exchange for ideas can spawn a counterproductive, competitive dynamic among employees at all levels. Ironically, technology doesn't always help either. Joseph Priestley, a pioneer of modern science, summed up a common issue by observing, "The more elaborate our means of communication, the less we communicate."

After a brief discussion, break your class into small teams and give about five minutes to brainstorm possible solutions. When you reconvene as a class, ask each group to share their best idea (possibilities usually range from hosting weekly planning lunches with all employees, to engaging Intranet approaches, to raising overall pay). This often leads to a helpful and spontaneous discussion about which method works best in which situation, and why.

Questions for Reflection:

- How does planning connect to corporate culture?

- Is employee participation likely to become more or less important as our economy evolves? Why?

### **Defining the Organization's Mission and Objectives**

**Purpose:**

To give students a personal perspective on mission statements

**Background:**

This exercise is designed to explore and articulate their personal “mission statements.” Typically it is both interesting and inspiring, and helps students understand how organizations use their mission statements to differentiate themselves and to guide their decision-making at a more visceral level.

**Relationship to Text:**

Defining the Organization's Mission and Objectives

**Estimated Class Time:**

About 10 minutes

**Preparation/Materials:**

Each student will need paper and a pencil or pen.

**Exercise:**

Ask each student to spend a few moments writing a personal mission statement for his or her life. For the discussion to be effective, avoid providing many cues. You can let the discussion progress on its own and intervene to provide a direction when students get stuck. After about five minutes, ask for volunteers to share their statements. If no one volunteers, start by calling on a few people who tend to be articulate in class. The results can be staggering. And the discussion is typically spontaneous and lively—but if not, ask students to identify similarities and differences in their statements, possibly across gender, age, hometown, college major, or other demographic traits and lifestyle characteristics. What do their statements say about ethics, values, and locus of control? How do their personal missions influence their actions and decisions on a day-to-day basis? You may want to close by calling their attention to the obvious parallels between personal and organizational missions.

**Questions for Reflection:**

- What are the characteristics of a strong mission statement? (You might want to precede this question with some examples of corporate mission statements. Some possibilities: Merck—to preserve and improve human life; Mary Kay—to give unlimited opportunities for women.)
- Extend the exercise by asking each student to do a personal SWOT analysis, the logical next step in strategic planning.

### **Strategic Planning**

**Purpose:**

To give your students hands-on experience with basic strategic planning for a very familiar entity—theirself!

**Background:**

Attempting to implement strategic planning, students often struggle to find the balance between an approach that's too narrow and an approach that's too broad. This exercise is designed to help students achieve the right balance by examining their personal strategic plans and zeroing in on



both wide-range and detailed issues (while receiving some unexpected guidance from their peers about their careers).

Relationship to Text:  
Strategic Planning

Estimated Class Time:  
About 15 minutes

Preparation/Materials:  
Each student will need paper and a pencil or pen

Exercise:  
Ask students to write down a brief strategic mission statement for their careers, looking at the five-year horizon. From a professional standpoint, what do they aspire to be? Collect the papers, shuffle them, and redistribute them to the class. Ask each student to write a five-point strategic plan for the person whose paper he or she received. Each point in the plan should be no more than a sentence or two. Remind the class to be sure that all of their points are specific and measurable, and most importantly, will bring the student closer to the overall strategic goal. After about ten minutes, call on a handful of students and ask them to share their classmate's goal and the five-step plan that they created.

Questions for Reflection:

- Was it easy or hard to write the plan? Why? Where did they have problems?
- How could a strategic plan help develop your career? Why?
- How does developing a personal strategic plan compare to developing a business strategic plan?

## Formulating a Marketing Strategy

Purpose:  
To help students explore strategic solutions for a contemporary marketing issue

Background:  
Not surprisingly, fast-food restaurants are feeling under siege. Recent studies are highlighting health hazards across Canada and citing rampant obesity, child obesity, the dangers of trans fats, and more. As low-carb diets became popular, retail sales of french fries—a staple of fast-food restaurants—plummeted, dropping 2.9 percent in 2001, 3.3 percent in 2002, and 10 percent in 2003 ([www.whybiotech.com](http://www.whybiotech.com)). From a PR perspective, the 2004 documentary *Super Size Me* fanned the flames. This exercise is designed to help students explore potential solutions—and ethical implications—for this strategic challenge from the fast-food industry perspective.

Relationship to Text:  
Formulating, Implementing, and Monitoring a Marketing Strategy

Estimated Class Time:  
About 20 to 25 minutes

Preparation/Materials:  
You may want to copy the background and the case situation for each student.

**Exercise:**

Divide your class into small groups and share with them the following case. **Situation:** You and your teammates are partners in the ownership of a medium-sized fast-food chain. You own 41 outlets, most of them in small towns. The mainstay of your menu is hamburgers and french fries, although you also offer a couple of sandwiches, chips, soft-serve ice cream, and drinks of various types. Your most important customers are men aged 18 to 34 (they account for about 20 percent of your customers and about 55 percent of your sales), but since restaurant options are limited in most of the towns where you operate, you serve customers across a wide demographic range. Sales in the past two years have been dropping at an accelerating rate. You have to meet with your partners to discuss potential solutions. Give your class about 10 minutes to brainstorm options. Encourage them to consider all the possibilities including doing nothing (“This will all blow over ...”). Then, direct each group to choose their best option, and to identify the potential risks and benefits (e.g., if they made changes to attract new customers, will they alienate their current customers?). Reconvene as a class, and ask each group to report briefly to their peers. Which solution does the class like best? Why?

**Questions for Reflection:**

- What additional information do you need to formulate the best solution?
- What are the ethical implications of each choice?
- Should your personal perspective play a role in your strategic decision making? Why or why not? (You may want to preface this question by asking how many of your students eat fast food more than once a week.)

**Promotion Strategy and Pricing Strategy****Purpose:**

To explore the relationship between the promotional and pricing strategies

**Background:**

Clearly, all elements of the marketing mix are interrelated, so this exercise is designed to highlight the links between promotion and pricing

**Relationship to Text:**

Promotion Strategy and Pricing Strategy

**Estimated Class Time:**

About 15 minutes

**Preparation/Materials:**

Each student needs to have unlined paper and a pencil or pen

**Exercise\*:**

Break your class into small groups. Ask each group to choose a good or a service that they all know and like, and to create two ads for that product: one that focuses on price, the other on the features and benefits of the product itself. (They can do print, radio, TV, or Internet ads, as long as both ads are designed for the same media.) Let them know upfront that they'll need to present their ads to the class. When the teams present their ads, conduct a quick vote to see which ad the class liked better for each product. Keep a tally on the board showing each of the products and the winning type of ad. Results will vary significantly based on the product categories (and, of course, the creativity of the students). Follow-up discussion can be interesting, surprising, and fun. What type of ads worked best, and why? How did the product category and price affect the promotional strategy? Does the broader market reflect the findings of the class? Why or why not?

## Questions for Reflection:

- What factors should a company consider when developing their pricing strategies?
- What about their promotional strategies? Why?

\*This exercise was adapted from the text.

**The Marketing Environment**

## Purpose:

To highlight the importance of the marketing environment

## Background:

This quick, discussion-based exercise is designed to help students better understand the impact of the external environment on marketing decisions

## Relationship to Text:

The Marketing Environment

## Estimated Class Time:

About 10 minutes

## Materials/Preparation:

None needed

## Exercise:

Choose a branded product that your students seem to all know and enjoy. Higher-end products, such as an Apple iPad or a Burton snowboard, seem to work especially well for this exercise. Guide your students in a discussion of how each element of the external environment—competitive, political-legal, economic, technological, and social-cultural—could influence the success of their product over the next five years. Encourage them to consider factors beyond the obvious (e.g., the emerging development of year-round snow-makers, or virtual reality snowboarding games). As you develop your list, you may want to also remind them that a marketer cannot control the external environment, but he or she must respond to it effectively.

## Questions for Reflection:

- Which element of the marketing environment is most important? Why? Would the answer be different for different product categories?
- Which elements have the most impact on a marketer's day-to-day decision-making? Which elements are likely to generate surprises? (You may want to point out how many companies were surprised by the bursting of the "dot-com" bubble in the 1990s.)
- What are effective ways to monitor the marketing environment on an ongoing basis?

**BCG Matrix**

## Purpose:

To help students gain a fuller understanding of the BCG matrix as a planning tool

## Background:

While the concept of the BCG matrix is straightforward, many students have trouble understanding how it applies to actual situations as an investment tool. This exercise is designed to foster a deeper understanding through a hands-on case study approach.

## Relationship to Text:

## BCG Matrix

Estimated Class Time:  
About 25 minutes

Materials/Preparation:  
None needed

## Exercise:

Announce to your class that they will do a case study on the talent agency business (which most of them will find more glamorous and exciting than it really is). Begin by brainstorming a list of movie stars, celebrities, and entertainers. Encourage the class to include a wide variety, from current box office draws, to over-the-hill talents, to emerging stars. Then, divide your students into small groups and tell them that each group represents a small talent agency. Their list includes the stars that you listed on the board. Give them each a hypothetical \$10 million to invest in marketing the personalities in their stable of stars, and direct them to use the BCG Matrix to make their investment choices. Ask each group to present their allocation and rationale in terms of the matrix. You will probably find that they were tempted to invest big dollars in their “cash cows,” which makes for an interesting discussion.

## Questions for Reflection:

- What are the strengths and weaknesses of the BCG Matrix as a strategic planning tool?
- What kind of information do you need in order to use this tool most effectively?