

# SOLUTIONS MANUAL



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PRINCIPLES OF MARKETING



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## CHAPTER 2 Strategic Planning for Competitive Advantage

This chapter begins with the learning outcome summaries, followed by a set of lesson plans for you to use to deliver the content in Chapter 2.

- Lecture (for large sections) on page 4
- Company Clips (video) on page 5
- Group Work (for smaller sections) on page 8

Review and Assignments begin on page 9

- ✓ Review questions
- ✓ Application questions
- ✓ Application exercise
- ✓ Ethics exercise
- ✓ Video assignment
- ✓ Case assignment

Great Ideas for Teaching Marketing from faculty around the country begin on page 20

## **2-1 Understand the importance of strategic planning**

Strategic planning is the basis for all marketing strategies and decisions. These decisions affect the allocation of resources and ultimately the financial success of the company.

## **2-2 Define strategic business units (SBUs)**

Each SBU should have these characteristics: a distinct mission and a specific target market; control over resources; its own competitors; a single business; plans independent from other SBUs in the organization. Each SBU has its own rate of return on investment, growth potential, and associated risks, and requires its own strategies and funding.

## **2-3 Identify strategic alternatives and know a basic outline for a marketing plan**

Ansoff's opportunity matrix presents four options to help management develop strategic alternatives: market penetration, market development, product development, and diversification. In selecting a strategic alternative, managers may use a portfolio matrix, which classifies strategic business units as stars, cash cows, problem children (or question marks), and dogs, depending on their present or projected growth and market share. Alternatively, the GE model suggests that companies determine strategic alternatives based on the comparisons between business position and market attractiveness. A marketing plan should define the business mission, perform a situation analysis, define objectives, delineate a target market, and establish components of the marketing mix. Other elements that may be included in a plan are budgets, implementation timetables, required marketing research efforts, or elements of advanced strategic planning.

## **2-4 Develop an appropriate business mission statement**

The firm's mission statement establishes boundaries for all subsequent decisions, objectives, and strategies. A mission statement should focus on the market(s) the organization is attempting to serve rather than on the good or service offered.

## **2-5 Describe the components of a situation analysis**

In the situation (or SWOT) analysis, the firm should identify its internal strengths (S) and weaknesses (W) and also examine external opportunities (O) and threats (T). When examining external opportunities and threats, marketing managers must analyze aspects of the marketing environment in a process called environmental scanning. The six macroenvironmental forces studied most often are social, demographic, economic, technological, political and legal, and competitive.

## **2-6 Identify sources of competitive advantage**

There are three types of competitive advantage: cost, product/service differentiation, and niche. Sources of cost competitive advantage include experience curves, efficient labor, no frills goods and services, government subsidies, product design, reengineering, production innovations, and new methods of service delivery. A product/service differentiation competitive advantage exists when a firm provides something unique that is valuable to buyers beyond just low price. Niche competitive advantages come from targeting unique segments with specific needs and wants. The goal of all these sources of competitive advantage is to be sustainable.

## **2-7 Explain the criteria for stating good marketing objectives**

Objectives should be realistic, measurable, time specific, and compared to a benchmark. They must also be consistent and indicate the priorities of the organization. Good marketing objectives communicate marketing management philosophies, provide management direction, motivate employees, force executives to think clearly, and form a basis for control.

## **2-8 Discuss target market strategies**

Targeting markets begins with a market opportunity analysis, or MOA, which describes and estimates the size and sales potential of market segments that are of interest to the firm. In addition, an assessment of key competitors in

these market segments is performed. After the market segments are described, one or more may be targeted by the firm.

## **2-9 Describe the elements of the marketing mix**

The marketing mix is a blend of product, place, promotion, and pricing strategies (the four Ps) designed to produce mutually satisfying exchanges with a target market. The starting point of the marketing mix is the product offering—tangible goods, ideas, or services. Place (distribution) strategies are concerned with making products available when and where customers want them. Promotion includes advertising, public relations, sales promotion, and personal selling. Price is what a buyer must give up in order to obtain a product and is often the most flexible of the four marketing mix elements.

## **2-10 Explain why implementation, evaluation, and control of the marketing plan are necessary**

Before a marketing plan can work, it must be implemented—that is, people must perform the actions in the plan. The plan should also be evaluated to see if it has achieved its objectives. Poor implementation can be a major factor in a plan's failure, but working to gain acceptance can be accomplished with task forces. Once implemented, one major aspect of control is the marketing audit, and ultimately continuing to apply what the audit uncovered through postaudit tasks.

## **2-11 Identify several techniques that help make strategic planning effective**

First, management must realize that strategic planning is an ongoing process and not a once-a-year exercise. Second, good strategic planning involves a high level of creativity. The last requirement is top management's support and participation.

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### TERMS

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cash cow	market development	niche competitive advantage
competitive advantage	market opportunity analysis (MOA)	planning
control	market penetration	portfolio matrix
cost competitive advantage	marketing audit	problem child (question mark)
diversification	marketing mix (four Ps)	product development
dog	marketing myopia	product/service differentiation
environmental scanning	marketing objective	competitive advantage
evaluation	marketing plan	star
experience curves	marketing planning	strategic business unit (SBU)
implementation	marketing strategy	strategic planning
	mission statement	sustainable competitive advantage
		SWOT analysis

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LESSON PLAN FOR LECTURE

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**Brief Outline and Suggested PowerPoint Slides:**

<i>Learning Outcomes and Topics</i>	<i>PowerPoint Slides</i>
<p><b>LO1</b> Understand the importance of strategic planning</p> <p><b>2-1 The Nature of Strategic Planning</b></p>	<p>1: Strategic Planning for Competitive Advantage</p> <p>2: Learning Outcomes</p> <p>3: Learning Outcomes</p> <p>4: Learning Outcomes</p> <p>5: The Nature of Strategic Planning</p> <p>6: Strategic Planning is...</p>
<p><b>LO2</b> Define strategic business units (SBUs)</p> <p><b>2-2 Strategic Business Units</b></p>	<p>7: Strategic Business Units</p> <p>8: Characteristics of Strategic Business Units (SBUs)</p>
<p><b>LO3</b> Identify strategic alternatives and know a basic outline for a marketing plan</p> <p><b>2-3 Strategic Alternatives</b></p>	<p>9: Strategic Alternatives</p> <p>10: Ansoff's Opportunity Matrix</p> <p>11: Exhibit 2.1: Ansoff's Opportunity Matrix</p> <p>12: Exhibit 2.2: Innovation Matrix</p> <p>13: Boston Consulting Group Portfolio Matrix</p> <p>14: Exhibit 2.3: Portfolio Matrix for a Large Computer Manufacturer</p> <p>15: Portfolio Matrix Strategies</p> <p>16: Exhibit 2.4: General Electric Model</p> <p>17: What Is a Marketing Plan?</p> <p>18: Why Write a Marketing Plan?</p> <p>19: Exhibit 2.5: Elements of a Marketing Plan</p>
<p><b>LO4</b> Develop an appropriate business mission statement</p> <p><b>2-4 Defining the Business Mission</b></p>	<p>20: Defining the Business Mission</p> <p>21: Defining the Business Mission</p>
<p><b>LO5</b> Describe the components of a situation analysis</p> <p><b>2-5 Conducting a Situation Analysis</b></p>	<p>22: Conducting a Situation Analysis</p> <p>23: SWOT Analysis</p> <p>24: Components of a SWOT Analysis</p> <p>25: Environmental Scanning</p>
<p><b>LO6</b> Identify sources of competitive advantage</p> <p><b>2-6 Competitive Advantage</b></p>	<p>26: Competitive Advantage</p> <p>27: Competitive Advantage</p> <p>28: Cost Competitive Advantage</p> <p>29: Sources of Cost Reduction</p> <p>30: Examples of Product/Service Differentiation</p> <p>31: Niche Competitive Advantage</p> <p>32: Building Sustainable Competitive Advantage</p> <p>33: Sources of Sustainable Competitive Advantage</p>
<p><b>LO7</b> Explain the criteria for stating good marketing objectives</p> <p><b>2-7 Setting Marketing Plan Objectives</b></p>	<p>34: Setting Marketing Plan Objectives</p> <p>35: Marketing Objectives</p> <p>36: Criteria for Good Marketing Objectives</p>

<b>LO8</b> Discuss target market strategies  <b>2-8 Describing the Target Market</b>	37: Describing the Target Market 38: Describing the Target Market 39: Target Market Strategy 40: Target Market Strategy
<b>LO9</b> Describe the elements of the marketing mix  <b>2-9 The Marketing Mix</b>	41: The Marketing Mix 42: The Marketing Mix is... 43: Marketing Mix: The “Four Ps” 44: Marketing Mix: The “Four Ps” 45: Marketing Mix: The “Four Ps” 46: Marketing Mix: The “Four Ps”
<b>LO10</b> Explain why implementation, evaluation, and control of the marketing plan are necessary  <b>2-10 Following Up on the Marketing Plan</b>	47: Following Up the Marketing Plan 48: Following Up the Marketing Plan 49: Post-audit Tasks
<b>LO11</b> Identify several techniques that help make strategic planning effective  <b>2-11 Effective Strategic Planning</b>	50: Effective Strategic Planning 51: Techniques for Effective Strategic Planning 52: Chapter 2 Video

### Suggested Homework:

- This instructor manual contains assignments on the *Nederlander Organization* video and the Nintendo case.
- This chapter’s online study tools include flashcards, visual summaries, practice quizzes, and other resources that can be assigned or used as the basis for longer investigations into marketing.

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## LESSON PLANS FOR VIDEO

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### Company Clips

#### *Segment Summary: The Nederlander Organization*

The Nederlander Organization is a global theatre management company that backs productions, rents, and manages Broadway style theatres. In this video, major managers discuss the strategic decisions behind the development of a separate company to manage a loyalty program for theatre-goers. This company, Audience Rewards, allows a number of theatre management companies to pursue strategic growth and other market opportunities.

These teaching notes combine activities that you can assign students to prepare before class, that you can do in class before watching the video, that you can do in class while watching the video, and that you can assign students to complete as assignments after watching the video.

During the viewing portion of the teaching notes, stop the video periodically where appropriate to ask students the questions or perform the activities listed on the grid. You may even want to give the students the questions before starting the video and have them think about the answer while viewing the segment. That way, students will be engaged in active rather than passive viewing.

<b>PRE-CLASS PREP FOR YOU:</b>	<b>PRE-CLASS PREP FOR YOUR STUDENTS:</b>
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<ul style="list-style-type: none"> <li>• Preview the Company Clips video segment for Chapter 2. This exercise reviews concepts for LO1, LO6, LO9, and LO10.</li> <li>• Review your lesson plan.</li> <li>• Make sure you have all of the equipment needed to show the video to the class, including the DVD and a way to project the video.</li> </ul> <p>You can also stream the video <a href="#">HERE</a></p>	<ul style="list-style-type: none"> <li>• Have students familiarize themselves with the following terms and concepts: <i>competitive advantage</i>, <i>marketing mix</i>, <i>target market strategy</i>, <i>mission statement</i>, <i>product/service differentiation</i>, <i>strategic planning</i>, and <i>sustainable competitive advantage</i>.</li> <li>• Review both the Audience Rewards Web site (<a href="http://www.audience rewards.com">www.audience rewards.com</a>) and <a href="http://Nederlander.com">Nederlander.com</a> with those concepts in mind.</li> </ul>
<b>VIDEO REVIEW EXERCISE</b>	
<b>ACTIVITY</b>	
<b>Warm Up</b>	Begin by asking students “What is the goal of strategic planning?” [on the board, write “long-term profitability and growth”]
<b>In-class Preview</b>	<ul style="list-style-type: none"> <li>• Segue into a discussion of the elements that make up a <i>marketing plan</i>. Copy Exhibit 2.5 onto the board. Briefly explain each of the elements as you write them if students have not become familiar with them from previous reading.</li> <li>• Remind students to keep the marketing plan elements in mind as they review the video.</li> <li>• Compare the concepts of market strategy and market mix. Ask students to predict the Nederlander Organization’s target market strategy from what they learned in the first video.</li> </ul>
<b>Viewing</b> <i>(solutions below)</i>	<ol style="list-style-type: none"> <li>1. Based on what you heard in the video, what was the Nederlander Organization’s marketing objective in creating Audience Rewards?</li> <li>2. Describe an element that makes up a competitive advantage for Audience Rewards. Is it sustainable?</li> <li>3. What drives the Nederlander’s market strategy and which element(s) of the marketing mix does it rely upon?</li> </ol>
<b>Follow-up</b>	<ul style="list-style-type: none"> <li>• Send students back to <a href="http://www.audience rewards.com">www.audience rewards.com</a>. Have students write a brief paragraph about how the Web site identifies its target market segment.</li> <li>• Have students break into groups of up to four students and have each group write a mission statement for the Nederlander Organization. When students finish, discuss how the mission statement supports what you saw in the video.</li> <li>• Ask “How can Audience Rewards sustain its competitive advantage?” The question can be discussed by the class as a whole, within the small groups with professor supervision, or assigned as an out-of-class exercise.</li> </ul>

**Solutions for Viewing Activities:**

1. **Based on what you heard in the video, what was the Nederlander Organization’s marketing objective in creating Audience Rewards?**

To offer a more complete Broadway experience by incentivizing customers to go to theatre more, spend more money, and try out more art by recognizing and rewarding them across various markets and theatres.

2. **Describe an element that makes up a competitive advantage for Audience Rewards. Is it sustainable?**

The element that contributes to Audience Reward’s competitive advantage is the partnership with several major theatre houses, production companies, and other arts venues. By being able to have the backing of more than just one set of theatres, more points can be earned and more tickets redeemed. This also applies to the major partners such as Delta Airlines, which extends the Audience Rewards market. It is likely that this is a sustainable competitive advantage, because it would be challenging to find the same number of major theatre management houses to join together in support of a rewards program.

**3. What drives the Nederlander's market strategy and which element(s) of the marketing mix does it rely upon?**

The Nederlander Organization's market strategy is driven by the fact that they have a very high income demographic that interests large companies (such as Delta Airlines) to determine ways they can partner with Nederlander to reach that demographic. Nederlander Organization relies on providing its productions companies that rent the theatres great promotion technology through Audience rewards.



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## LESSON PLAN FOR GROUP WORK

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In most cases, group activities should be completed after some chapter content has been covered, probably in the second or third session of the chapter coverage. (See the “Lesson Plan for Lecture” above.) For the “Class Activity: Marketing Strategy Analysis,” divide the class into small groups of four or five people and provide the information and the questions asked by the class activity, as described later in this chapter.

### **Class Activity – Marketing Strategy Analysis**

In this exercise, students are asked to brainstorm with you, using an overhead projector or blackboard. Let the students select several high-profile goods and services. Then get the class to help analyze the marketing strategy by answering the following questions.

1. What is the product?
2. Who is the target market?
3. On what criteria is this market segmented?
4. What demographic factors affected the choice of this target?
5. What is the price strategy? Promotion strategy? Distribution strategy?
6. How is the product packaged? Why?
7. Who is the direct competition? Indirect competition? Which firms would be appropriate benchmarks for this firm? What competitive advantage does this product have?
8. How are environmental factors affecting the marketing of this product? Consider social, demographic, legal, political, economic, technological, and competitive factors.
9. Is the purchase of this product affected by psychological or social needs? Situational factors?
10. Is the marketer attempting market penetration? Market development? Product development? Diversification?
11. Does this company appear to have a total quality management orientation? What is its reputation on overall quality when compared to the competition?
12. Is this firm known for being responsive to customers? Brainstorm a list of adjectives that describe this firm and its products. How does this list fit with the concept of value?

**REVIEW QUESTIONS**

1. **Your cousin wants to start his own business, and he is in a hurry. He has decided not to write a marketing plan because he thinks that preparing such a document would take too long. He says he doesn't need a formal proposal because he has already received funding from your uncle. Explain why it is important for him to write a plan anyway.**

Strategic marketing planning is the basis for all marketing strategies and decisions. The marketing plan is a written document that acts as a guidebook of marketing activities for the marketing manager. By specifying objectives and defining the actions required to attain them, a marketing plan provides the basis on which actual and expected performance can be compared. Even when in a hurry, one can construct a brief marketing plan to help guide thinking and serve as a framework for future activities.

2. **After graduation, you decide to take a position as the marketing manager for a small snack-food manufacturer. The company, Shur Snak, is growing, and this is the first time that the company has ever employed a marketing manager. As such, there is no marketing plan in place for you to follow. Outline a basic marketing plan for your boss to give her an idea of the direction you want to take the company.**

The marketing plan should contain the following sections:

- a. Business mission statement
  - b. Objectives
  - c. Situation analysis
  - d. Internal strengths and weaknesses
  - e. External environmental opportunities and threats
  - f. Target market(s)
  - g. Marketing mix
  - h. Product/service strategies
  - i. Place/Distribution strategies
  - j. Promotion strategies
  - k. Pricing strategies
  - l. Implementation, evaluation, and control
3. **You are given the task of deciding the marketing strategy for a transportation company. How do the marketing mix elements change when the target market is (a) low-income workers without personal transportation, (b) corporate international business travelers, or (c) companies with urgent documents or perishable materials to get to customers?**

Target Market: Low-income workers without personal transportation

Product: Bus or light rail service

Price: Inexpensive or free

Place: Inner city

Promotion: Billboards

Target Market: Corporate international business travelers

Product: High-speed jet service with laptop and telephone hookups, conference tables

Price: High

Place: International airports in densely populated business centers around the world

Promotion: Corporate print publications, direct mail

Target Market: Companies with urgent documents or perishable materials to get to customers  
Product: High-speed motor carrier coupled with plane service, courier service, pickup and delivery  
Price: Medium to high  
Place: Downtown businesses around the country  
Promotion: Television, radio

#### 4. What techniques can make your school enrollment marketing plan more effective?

The effectiveness of the plan depends on the following factors: 1) how realistic the plan is (objectives, scope, and timing of the events), 2) the resources available to implement the plan, 3) how thorough the situation analysis is, 4) how broad the mission statement is, 5) how detailed and thorough the marketing mix variables are, and 6) the soundness of the strategies (does the plan provide an opportunity to use competitive advantage?).

### *APPLICATION QUESTIONS*

1. How are Coke and Pepsi using their Web sites, <http://www.coke.com> and <http://www.pepsi.com>, to promote their newest product offerings? Do you see hints of any future strategies the companies might implement? Where?

Answers will vary.

2. How can a new company best define its business mission statement? Can you find examples of good and bad mission statements on the Internet? How might you improve the bad ones?

The mission statement is based on a careful analysis of benefits sought by present and potential customers and analysis of existing and anticipated environmental conditions. The firm's long-term vision, embodied in the mission statement, establishes boundaries for all subsequent decisions, objectives, and strategies. A mission statement should focus on the market or markets the organization is attempting to serve rather than on the good or service offered. Students should be able to evaluate mission statements from company Web pages according to their marketing orientation and focus.

3. Thinking back to review question 2, write a business mission statement for Shur Snak. What elements should you include? Evaluate the mission you wrote against some of the mission statements you found online in question 2.

The mission statement should focus on the market or markets that the organization is trying to serve rather than the one good or service that it offers. Elements that could be included in a mission statement are 1) market(s) served; 2) benefits; 3) long-term vision; 4) special competitive advantages, such as technology; and 5) goals, such as market leadership.

4. Building on our Shur Snak example, imagine that your boss has stated that the marketing objective of the company is to do the best job of satisfying the needs and wants of the customer. Explain that although this objective is admirable, it does not meet the criteria for good objectives. What are these criteria? What is a specific example of a better objective for Shur Snak?

Good criteria for objectives include 1) they are realistic, measurable, and time specific; and 2) they are consistent and indicate the priorities of the organization. The objectives that students write should meet those criteria.

5. Competition in the private courier sector is fierce. Companies like UPS and FedEx dominate, but others, like Airborne, Emery, and even the United States Postal Service, still have a decent chunk of the express package delivery market. Perform a mini situation analysis on one of the companies listed by stating one strength, one weakness, one opportunity, and one threat. You may want to consult the following Web sites as you build your grid:

United Parcel Service (UPS): <http://www.ups.com>  
USPS: <http://www.usps.gov>

FedEx: <http://www.fedex.com>  
DHL: <http://www.dhl-usa.com>

The situation analysis (SWOT analysis) should include the following:

Internal analysis: Strengths and Weaknesses

External analysis: Opportunities and Threats

- 6. Based on your SWOT analysis, decide what the strategic growth options are for the company you chose in question 5.**

Strategic growth options should be chosen from the following: 1) market penetration strategy, 2) market development strategy, 3) product development strategy, or 4) diversification.

- 7. Break into small groups and discuss examples (at least two per person) of the last few products you have purchased. What specific strategies were used to achieve competitive advantage? Is that competitive advantage sustainable against the competitors?**

To have a successful marketing plan, one must seek a differential advantage over the competition when examining internal strengths and external marketplace opportunities. A differential advantage is one or more unique aspects of an organization that cause target consumers to patronize that firm rather than competitors. A differential advantage may exist solely in the firm's image. Differential advantages may also occur in any element of the marketing mix. The two basic sources of differential advantage are superior skills and superior resources. The key to having a differential advantage is the ability to sustain that advantage. A sustainable competitive advantage is one that cannot be copied by the competition.

- 8. Choose three or four other students and make up a team. Create a marketing plan to increase enrollment in your school. Describe the four marketing mix elements that make up the plan.**

Students should provide detail for the following elements of the marketing plan:

Business mission statement

Objectives

Situation analysis

Internal strengths and weaknesses

External environmental opportunities and threats

Target market(s)

Marketing mix

Product/service strategies

Place/distribution strategies

Promotion strategies

Pricing strategies

Implementation, evaluation, and control

- 9. Have your school enrollment marketing plan team (from question 8 above) develop a plan to implement, evaluate, and control the marketing strategy.**

This section can use a number of formats, but a suggested format for the implementation plan is a Gantt chart or other scheduling chart that shows the "big picture" of when important events should take place in order to put the strategies and tactics into action. If students don't know how to create a Gantt chart, they can put together a simple timeline showing these events.

For the evaluation and control section, a simple grid containing the following elements should suffice: 1) the marketing objectives (both financial and strategic objectives), 2) how to measure the objectives, and 3) when to evaluate the accomplishment of each objective.

## APPLICATION EXERCISE

As you now know from reading the chapter, an important part of the strategy-making process involves scanning the environment for changes that affect your marketing efforts. This exercise is designed to introduce you to the business press and to help you make the connection between the concepts you learn in the classroom and real-world marketing activities.

### Activities

1. Find a current article of substance in the business press (the *Wall Street Journal*, the *Financial Times*, *Fortune*, *Bloomberg Businessweek*, *Inc.*, etc.) that discusses topics you have covered in this course. Although this is only Chapter 2, you will be surprised by the amount of terminology you have already learned. If you are having trouble finding an article, read through the table of contents at the beginning of the book to familiarize yourself with the names of concepts that will be presented later in the course. Read your article carefully, making notes about relevant content.
2. Write a one-paragraph summary of the key points in your article; then write a list of the terms or concepts critical to understanding the article. Provide definitions of those terms. If you are unfamiliar with a term or concept that is central to the article, do some research in your textbook or see your professor during office hours. Relate these key points to the concepts in your text by citing page numbers.
3. Explain the environments that are relevant to the situation presented in the article. (Chapter 3 contains a full list of environmental factors.)
4. How are the strategic elements of target market and marketing mix relevant to the article?

**Purpose:** The purpose of this application is to demonstrate the importance and the energy it takes for good environmental scanning. This exercise will introduce students to the business press and so help make the connection from the classroom to the real world.

**Setting it up:** The exercise is best used as an assignment. It could also work as an in-class group activity by asking students to each bring a business article of interest to class, dividing the class into groups, and having each group select one of its member's articles as the basis for the activity. Groups would do the scan together and report their findings to the class.

This exercise was inspired by the following Great Idea in Teaching Marketing:

*Robert D. O'Keefe, DePaul University*  
*Philip R. Kemp, DePaul University*  
*J. Steven Kelly, DePaul University*

#### PRINCIPLES OF MARKETING: USING ENVIRONMENTAL SCAN REPORTS AS A MEANS OF ASSESSING STUDENT LEARNING

Two of the several objectives we've set for our Principles of Marketing (Mkt 301) course are common to all principles courses. We want students to 1) develop an understanding of the fundamental concepts involved in marketing, and 2) develop skills in analyzing marketing strategies. In other words, we want students to leave the class understanding both the definition and application of marketing terminology and theoretical concepts.

We've found that we can assess a student's knowledge of terminology and even very basic applications of these terms via objective tests. Assessing our expectation that students, even at the introductory level, will develop a deeper and more sophisticated understanding of terminology and strategy requires an alternative method of assessment. Case study and case reports both written and oral are widely agreed to be an optimal method for assessing student performance. Our teaching environment, however, presented problems that are not uncommon to business programs. For a number of reasons, our class sizes have increased often to between 80 and 100 students and we have had to conduct classes in an auditorium setting with row upon row of fixed graduated seats. Aside from the physical conditions, recent curriculum revisions required that we add significant content to the principles course over the 10-week-long quarter. These are not

optimal conditions for the traditional case study approach to learning.

In addition to the individual courses' objectives, we are bound to meet college wide program objectives. As with many other schools of business, DePaul's College of Commerce has made "the development of both oral and written communication skills" a primary educational outcome and instituted a program of "writing across the curriculum" as a means of achieving enhanced communication skills. What we needed was a means of assessing our college course objectives, which converged with the program objective of the college. The adoption of what we have called environmental scan reports provided us with a method for satisfying both our course and program objectives.

As can be seen in the instructions that follow, the environmental scan reports serve to reinforce students' understanding of terminology and strategy. The reports provide a bridge between the text and contemporary events. To paraphrase our instructions, we want students to see that text concepts are dynamic and contemporary in their application.

Our experience with using the environmental scan reports over the past several years has been positive in a number of ways. We've found that the reports allow us to determine whether or not students are developing a working knowledge of marketing principles and are able to communicate this knowledge effectively. We've also found that the skills enhanced by the preparation of the environmental scan reports transfer quite well to the traditional case studies encountered in advanced classes. In addition, the written comments on the students' course evaluation forms quite frequently cite the environmental scan reports as one of the aspects of the course they found most beneficial.

What follows are the instructions for preparing environmental scan reports. These instructions are included in the course syllabus. We invite our teaching colleagues to experiment with environmental scan reports using the instructions provided or modifying them to meet their own course and program objectives.

**Handout**  
**ENVIRONMENTAL SCAN ASSIGNMENT**

Each student will do this assignment three times per term. It will be worth 90 points (3 × 30).

The assignment involves finding a current article of substance in the business press (the *Wall Street Journal*, *Bloomberg Businessweek*, *Fortune*, etc.). Find something about a company or industry, which discusses topics in your marketing text (text name).

The objectives of these reports include the following:

1. To guide you in discovering that marketing is not simply a collection of static terms and dated theories. Rather, as you'll find in reading the articles and preparing your reports, both corporate and social organizations are living the principles you are learning.
2. To assure that you effectively communicate the important points of the articles on which you've chosen to report.

You will be assigned, with other students, a group number. Check the list that will be distributed to see when your number comes due. We will discuss these articles during the week. Expect to be called upon to discuss your report; I will call on some of the students in the group throughout the week. You must be prepared to hand in your assignment when requested. Late assignments will receive only half credit.

***Format***

Reports are to be typed, double spaced, on 2 (MAXIMUM) sheets of 8 ½" x 11" paper, stapled together, with no plastic bindings. I expect that these reports will represent your best presentation quality.

Include the following headings: I. Introduction, II. Environment, III. Marketing Mix Variables, and IV. Questions.

At the top of page 1, include the following:

Your name, group number  
Mkt. 301

Use the following citation format:

Author's last name, first name, "Title of the article," in Periodical, (dates), page numbers.

Follow this outline for your report:

**I. Introduction:** This is three paragraphs long.

1. In your own words, provide a one-paragraph summary of key points of the article.
2. List and provide definitions of terms or concepts critical to understanding the key points of the article.
3. Relate the key points, terms, and concept to the material in your textbook. Cite the appropriate chapters and page numbers.

**II. Environment:**

Explain which of the "environments" are relevant to the situation discussed in the article. Refer to Chapter 4 of the text for a complete discussion of environments. Pay special attention to the competitive environment and issues bearing on competitive advantage.

**III. Marketing Mix Variables**

Explain the relevance of the strategy elements (target market and marketing mix) and especially changes in the strategy elements dictated by the situation discussed in the article.

***Presentation***

I expect to ask students who submit particularly relevant reports to summarize these reports in class.

## ***ETHICS EXERCISE***

Abercrombie & Fitch, a retail clothing chain based in New Albany, Ohio, launched a line of thong underwear for preteen girls. Words like “eye candy” and “wink wink” were printed on the front of the skimpy underwear that some argued would fit girls aged 5 to 10. Abercrombie is known for its provocative ads and sexually oriented catalogs. Supporters of the strategy claim that producing thong-style underwear for 10- to 16- year olds is a good move; critics think that the line is tasteless and that marketing it to young girls is contemptuous.

### **Questions**

#### **1. Is marketing adult-styled undergarments to a younger audience unethical?**

Abercrombie, a company known for using sex as a primary advertising tool, has attracted younger ages to its lines designed for the college crowd. In this case, Abercrombie was promoting and actively marketing adult-styled underwear to young girls; it was a case of promotion rather than attraction. For this reason, Abercrombie’s actions could be considered unethical. Marketers targeting products at children must vigilantly monitor their marketing efforts to make sure they are not promoting or otherwise advocating products that are not appropriate for that age group.

#### **2. Would Abercrombie have been in the spotlight had the sexy words been omitted from the product?**

The parental backlash may not have been so strong if the sexy words had been omitted. Without the phrases, the more subtly sexual underwear may have passed under the radar of many parents adopting a “kids will be kids” attitude. The phrases, however, called attention to the sexual nature of the design, causing the parents of many pre-teen girls to react.

### ***VIDEO ASSIGNMENT: The Nederlander Organization***

The Nederlander Organization is a global theatre management company that backs productions, rents, and manages Broadway style theatres. In this video, major managers discuss the strategic decisions behind the development of a separate company to manage a loyalty program for theatre-goers. This company, Audience Rewards, allows a number of theatre management companies to pursue strategic growth and other market opportunities.

1. The audience rewards program is a
  - a. Pricing strategy
  - b. Promotion strategy
  - c. Distribution Strategy
  - d. Product strategy

ANS: B

The audience rewards program is a loyalty program and is part of the promotional strategy used by Nederlander Organization. While audience rewards can affect ticket prices (based on points earned) Pricing strategies are set by the company to drive sales.

2. When Josh Lesnick describes the Nederlander Organization’s demographic as skewing female, 30-59, and with a household income of over \$200,000, that indicates:
  - a. that the Nederlander Organization is implementing information from a marketing audit.
  - b. that the Nederlander Organization has discovered a sustainable competitive advantage.
  - c. that the Nederlander Organization has compared its rewards program to a benchmark.
  - d. that the Nederlander Organization has conducted a market opportunity analysis.

ANS: D

Because the Nederlander organization can specifically describe their demographics, they have implemented a target market strategy, which begins with a market opportunity analysis (MOA). Implementation is the process that turns a marketing plan into action assignments, which this clip does not discuss.



3. When the Nederlander Organization developed the audience rewards program, they were pursuing which option from Ansoff's opportunity matrix?
- Market Penetration
  - Market Development
  - Product Development
  - Diversification

ANS: A

Audience rewards develops existing customers (people who buy theatre tickets) by offering them loyalty points when they buy tickets.

4. As the Nederlander Organization develops Broadway-wide gift cards and credit cards that allow customers to accumulate points towards show tickets they are:
- implementing a diversification strategy by leveraging mailing lists provided by partners such as Delta Airlines.
  - practicing adjacent innovation by leveraging their audience rewards network of partners.
  - experiencing transformational innovation by partnering with companies who can guide them in developing new products.
  - harvesting from their cash cow, Evita.

ANS: B

The Nederlander Organization is using adjacent innovation to leverage its existing strengths (audience rewards and large partners) to develop its audience and related products. Diversification involves moving into new markets with new products.

5. What type of competitive advantage does Nederlander Organization have?
- Cost Competitive Advantage
  - Product/Service Differentiation Competitive Advantage
  - Niche Competitive Advantage
  - Loyalty Competitive Advantage

ANS: B

The Nederlander Organization has a product/service competitive advantage that stems from its Audience Rewards program that unites a large number of theatres, shows, and producers in a way that no other Broadway style rewards program has yet to do, which provides added value for the customer. Cost competitive advantage relies on setting prices lower than everyone else.

6. Understanding that theatre-goers would be interested in furthering the "Broadway Experience" by redeeming points for events such as walking the red carpet suggests that Nederlander Organization
- divested its dogs and built up some dogs.
  - developed new ideas through Ansoff's Opportunity Matrix.
  - discovered marketing opportunities through environmental scanning.
  - performed a marketing audit and implemented action items.

ANS: C

Nederlander Organization discovered marketing opportunities through environmental scanning of its demographic. There is not information regarding divestments or other BCG models in this clip.

7. Audience Rewards developed relationships with Nederlander Organization other theatre owners to create the loyalty program that spans most Broadway shows. In a SWOT, this is
- A threat, because the Nederlander Organization is a major backer, but competes with the other theatres.
  - An opportunity, because Audience Rewards can use these relationships to force other theatre companies to become part of the loyalty program.
  - A weakness, because Audience rewards has to rely on these theatre companies to always get along and support the rewards company.
  - A strength, because partnering with these theatre companies allows Audience Rewards to have a competitive advantage against other, smaller loyalty programs.

ANS: D

Audience Rewards would view its relationships with its theatre partner as a strength. In addition, threats are external, while these partnerships are technically internal capabilities for Audience Rewards, because without them, the company could not exist.

8. Shows are produced by a large and variable number of different producers and backers. Customers who go to the theatre (no matter the show) are not typically considered a market because the shows belong to many different people. However, The Nederlander Organization performed an implementation analysis and realized that this group is a strong market, if they had the correct method of reaching it.
- True  
False

ANS: False

The bulk of this statement is true, but the Nederlander organization performed a SWOT analysis, and realized they had a potentially strong strategic opportunity, if they could create the right kind of system to pull the various markets and shows together.

9. One reason Nederlander Organization wanted to find a way to incentivize its customers that wasn't through discounts was because:
- discounting is a hard way to make money, particularly in Broadway.
  - they already had a niche competitive advantage.
  - it is too easy to lose the cost competitive advantage to the next low price.
  - they depended on backing the best plays to provide the competitive advantage they needed.

ANS: C

Discounting is one method of establishing a cost competitive advantage. However, this is an unstable advantage that can easily be matched by competitors lowering their prices.

10. An example of a marketing objective for Audience Rewards might be: "To establish a system of rewards that will encourage customers to purchase at least two more tickets this year than last year."
- True  
False

ANS: True

This would be a reasonable marketing objective because it is realistic (establish a desirable system of rewards); measurable: members of audience rewards use points to redeem awards, and points are tied to tickets purchased; it is time specific (this year) and compared to a benchmark (last year).

### **CASE ASSIGNMENT: Nintendo**

In the early days of video games, gaming wasn't exactly a social affair. Sure, you could spend hours playing the same game, but it was with two or three other players at most. And of course, the earliest consoles were great at video games, but there were no other social features built into them. Now, gaming has been completely transformed by online networks and social media. The video game market is filled with smartphones, tablets, laptops, social networking Web sites, and other highly connected ways to play.

Within this evolving marketplace—where success is seen by companies that emphasize mobility and multi-connectivity—Nintendo adapted a seemingly outdated strategy with the release of the Wii U, which focuses primarily on

games. Instead of selling its new console as a multimedia device that gives users a wide range of entertainment options and a high level of social connectivity, Nintendo is hoping to reestablish its competitive advantage by leaning on users' love of *The Legend of Zelda*, *Super Mario Bros.*, *Donkey Kong*, *Metroid*, and other first-party franchises. According to Nintendo of America President Reggie Fils-Aime, this strategy is based on the company's belief that what consumers want is games, not all of the other trappings: "When you talk to players and understand what they want, it can only be delivered through a dedicated gaming device." Early Wii U sales indicate otherwise, however. Only 64,000 Wii Us were sold in February 2013, compared to 302,000 sales of Microsoft's nearly ten-year-old Xbox 360 console.

Jamin Warren, "Not Your Childhood's Video-Game System," *Fast Company*, November 2012, 70-72; Matt Peckham, "What's Going On with Nintendo's Wii U?" *TIME*, March 15, 2013, <http://techland.time.com/2013/03/15/whats-going-on-with-nintendos-wii-u> (Accessed March 25, 2013).

### TRUE/FALSE

1. If Nintendo feels at any time that its strategic decision to focus on games was a mistake, it could switch immediately to focus on multimedia and connectivity.

ANS: F

The goal of strategic planning is long-run profitability and growth. Thus, strategic decisions require long-term commitments of resources.

PTS: 1                      OBJ: LO: 2-1                      TOP: AACSB: Reflective Thinking  
KEY: CB&E Model: Customer                      MSC: BLOOMS: Level I Knowledge

2. The Wii U, like the 3DS handheld console and Entertainment Analysis & Development software division, is an SBU of Nintendo.

ANS: T                      PTS: 1                      OBJ: LO: 2-2                      TOP: AACSB: Reflective Thinking  
KEY: CB&E Model: Customer                      MSC: BLOOMS: Level I Knowledge

3. The Wii U is a cash cow for Nintendo.

ANS: F

The Wii U is currently a dog, or at best, a problem child. If Nintendo wants to transform the Wii U into a cash cow or star, it must invest heavily to gain better market share.

PTS: 1                      OBJ: LO: 2-3  
TOP: AACSB: Reflective Thinking                      KEY: CB&E Model: Customer  
MSC: BLOOMS: Level I Knowledge

4. Nintendo of America President Reggie Fils-Aime's statement, "When you talk to players and understand what they want, it can only be delivered through a dedicated gaming device," helps explain Nintendo's mission statement.

ANS: T                      PTS: 1                      OBJ: LO: 2-4                      TOP: AACSB: Reflective Thinking  
KEY: CB&E Model: Strategy                      MSC: BLOOMS: Level I Knowledge

5. Nintendo's \$299.00 price point for the Wii U is a sustainable competitive advantage over Sony's \$399.00 PlayStation 4 and Microsoft's \$499.00 Xbox One.

ANS: F

A sustainable competitive advantage is one that cannot be copied by the competition. Sony and Microsoft could potentially match Nintendo's lower price.

PTS: 1                      OBJ: LO: 2-6                      TOP: AACSB: Reflective Thinking  
KEY: CB&E Model: Strategy MSC:                      BLOOMS: Level I Knowledge

### **MULTIPLE CHOICE**

1. Based on the case and the chapter text, which option from Ansoff's strategic opportunity matrix did Nintendo engage in when it launched the Wii U?
- Market penetration.
  - Market development.
  - Product development.
  - Diversification.
  - Innovation.

ANS: C

A product development strategy entails the creation of new products for present markets.

PTS: 1                      OBJ: LO: 2-3                      TOP: AACSB: Reflective Thinking  
KEY: CB&E Model: Customer                      MSC: BLOOMS: Level II Comprehension

2. Nintendo's beloved video game franchises, such as Zelda, Mario, Donkey Kong, and Metroid, are examples of this element of a situation analysis:
- Strengths.
  - Weaknesses.
  - Opportunities.
  - Threats.
  - None of these.

ANS: B

Strengths are internal assets that benefit a company, such as valuable intellectual properties.

PTS: 1                      OBJ: LO: 2-5                      TOP: AACSB: Reflective Thinking  
KEY: CB&E Model: Strategy MSC:                      BLOOMS: Level II Comprehension

3. Which of the following is a useful marketing objective for Nintendo?
- We want to become the most popular video game console ever.
  - We want to garner 90 percent of the video game market share over the next year.
  - We want to increase the number of Wii U sales from 64,000 in February 2013 to 256,000 in February 2015.
  - We want to make sure people are having 200 percent more fun when they play the Wii U.
  - We want our competitors to make so many mistakes that the Wii U overtakes them in total annual sales.

ANS: C

A useful marketing objective is realistic, measurable, time specific, and compared to a benchmark.

PTS: 1                      OBJ: LO: 2-7                      TOP: AACSB: Reflective Thinking  
KEY: CB&E Model: Strategy MSC:                      BLOOMS: Level II Comprehension

4. If Nintendo decided to develop a wholly redesigned Wii U console and then double its advertising efforts worldwide, which two elements of the marketing mix would it be utilizing?
- Product and promotion.
  - Place and pricing.
  - Promotion and place.
  - Place and product.
  - Pricing and promotion.

ANS: A

The product includes not only the physical unit but also its package, warranty, after-sale service, brand name, company image, value, and many other factors. Promotion includes advertising, public relations, sales promotion, and personal selling.

PTS: 1                      OBJ: LO: 1-2                      TOP: AACSB: Reflective Thinking  
KEY: CB&E Model: Promotion                      MSC: BLOOMS: Level III Application

5. If Nintendo wanted to adjust the Wii U's marketing mix as quickly as possible, which of the following strategies would it pursue?
- Start selling Wii U consoles in specially designed vending machines.
  - Release a new Wii U bundle that comes with a popular game.
  - Launch a viral video marketing campaign.
  - Implement a \$50 price cut for the Wii U.
  - Change the name of the Wii U console to something more appealing.

ANS: D

Price is what a buyer must give up in order to obtain a product. It is often the most flexible of the four Ps—the quickest element to change.

PTS: 1                      OBJ: LO: 2-9                      TOP: AACSB: Reflective Thinking  
KEY: CB&E Model: Strategy MSC: BLOOMS: Level II Comprehension

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## GREAT IDEAS FOR TEACHING CHAPTER 2

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**James S. Cleveland, Sage College of Albany**

### DISCUSSION BOARD TOPICS TO ENCOURAGE PARTICIPATION

Discussion board questions provided to students to encourage them to engage in thinking and writing about the content of the Principles of Marketing course usually take the form of a provocative statement to which students are asked to respond. An example of this would be “All PR is good PR.”

Discussion topics such as this one are abstract and often require that the instructor provide an initial reply to show students what is expected of them in their own replies. For students with limited work experience, this approach may be quite appropriate. For adult students with extensive experience as employees and consumers, however, the abstract nature of such topics can be frustrating.

I have developed, therefore, a series of discussion board questions to use with experienced, adult students. These questions are designed to encourage them to use their experiences as employees and consumers as doorways to better understand the course material, and to make their own responses more interesting to themselves and to the other students in the class who will read and comment on them.

Each question has three parts:

1. First, there is a sentence or two from the students' textbook introducing the topic. By using the text author's own words, students are enabled to locate relevant material in the text more easily, the text content is reinforced, and confusion resulting from use of variant terms or expressions is minimized.
2. Second, there is a reference to text pages the students should review before proceeding. Since the goal of the exercise is for students to apply the course content to their own experiences, reviewing the content first is important.
3. Third, there is a request for the students to think about or remember some specific situations in their experiences to which they can apply the text material, and a question or questions for them to address in their replies.

The following example is for Chapter 2 of *MKTG10*. The three parts have been separated here so they are more readily visible.

1. The term *marketing mix* refers to a unique blend of product, distribution, promotion, and pricing strategies designed to produce mutually satisfying exchanges with a target market.
2. Review the four parts of the marketing mix from section 2-10 of your text.
3. Then choose an idea, good, or service with which you are familiar and describe its marketing mix and how it resulted (or did not result) in a satisfying exchange for you.

BUYING AN EDUCATION: THE FOUR Ps ON DAY ONE

Students enrolled in my two-credit Introduction to Marketing course may be freshmen exploring a business major, sophomores fulfilling a requirement for the accounting degree, or even senior English majors taking the “something!” their parents urged to help them get a job. From the first day I must get students to recognize the experiential base of marketing, and I must create class norms of participation.

I begin the first class by asking students to break into small buzz groups. I then pass out a sheet with the question, “Why are you buying your education at The College of St. Catherine?” Students typically look surprised—they have not regarded their college choice as a consumer purchase. I mention that there are well over a dozen other options for taking an Introduction to Marketing course for college credit within this term within this metropolitan area. Students are instructed to spend at least 20 minutes recalling absolutely every influence that caused them to come to this college. Another question on the same sheet asks them “What do you have in common with the other students in your group?” They spend about five minutes discussing this.

Typical answers for the first question might be “Small class size,” “Financial aid package,” etc. As I collect their responses on the board, I discuss items as choices made by them or by the institution. They gradually notice that I am listing their comments deliberately in one of four columns. They note as well that I am keeping a separate list of other colleges they mention that they had also considered. Inevitably, the discussion produces the four Ps of the marketing mix and gives the foundation of our course. Typical inputs are:

- Product: specific major, class size, academic reputation . . .
- Price: actual costs, financial aid, scholarships . . .
- Place: near/far from home, in an urban area where jobs are plentiful, the beauty of the campus . . .
- Promotion: campus recruiting officers, relatives or friends who have attended, high school counselors . . .
- The list of other colleges generates the Competition.

The profile of the Customer, “What you have in common,” is much less obvious to them. At this private women’s college, gender and religion are sometimes mentioned; more often students think about academic major or hometown. They rarely generate other demographics like income and almost never get near psychographics (which, at our particular campus, is the most significant variable besides gender!). Yet when competitor colleges are mentioned, they are all able to paint an instant portrait of the student at each of these institutions.

Within the first class, then, we have generated the fundamental concepts of the course. Students begin to differentiate the four Ps and to recognize the influence of competition on managing the marketing mix. They begin to explore the complexities of market segmentation and the significance of knowing your target market fully. They know as well that their contribution to the class is necessary and valuable. Throughout the term I refer to this day’s discussion at the introduction of any new concept. Student feedback has been that this beginning adds significant coherence to a brief yet broad-ranging course.

ANALYZING COMPANY STRATEGY VIA MULTIPLE RESOURCES

Beyond basic marketing courses, students can be expected to analyze marketing strategy of companies by building a “data base” using widely available sources.

1. Encourage students to choose for a class project a publicly traded company. Owners of privately held firms can never be expected to divulge confidential data for a class project, even to a friend of a close family member.
2. Students should immediately request via the firm’s 1-800 shareholder relations number annual and quarterly reports, 10-K and 10-Q reports, and a student press kit. Some companies need repeated requests and follow-up. Call 1-800-

555-1212 (the 800 information operator), or try an “800” Web site database to get the shareholder relations 1-800 number. Students can then follow steps 3–9.

3. Search the company’s Web site for annual and quarterly reports and press releases of strategic decisions. Be aware of key-word search opportunities at the company’s Web site.
4. Utilize the EDGAR Web site, the Security and Exchange Commission’s database of filings by public companies, to analyze 10K and 10Q reports. The reports are voluminous. Use the “print page” options for printing ONLY the page needed.
5. Analyze Value Line’s one-page profile of highly useful data about the company, an industry overview, and comparisons of the company to its competitors.
6. Study page B-2 of the Monday through Friday *Wall Street Journal* for daily alphabetical lists of all companies mentioned in that day’s newspaper. A student individual subscription is useful for cutting and filing daily.
7. Search ABI/Inform, a database of over 1,000 publications that allows key word subjects and is updated monthly. The Web site is updated daily.
8. Analyze Hoover’s *Handbook of American Business*, which profiles publicly traded companies, listing information that might not be found elsewhere.
9. Finally, give students specific heading areas to look for in their analysis of the firm’s strategy, including the following: pricing and margin, concept differentiation and clarity, positioning and repositioning, branding, trade dress, customer profile, location strategy, distribution, turnover, strategic alliances. Presentation of findings, along with graph support, will spur class discussion.

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**P.J. Forrest, Mississippi College**

#### MARKETING MIX REPORTS

One of the most helpful projects I’ve ever assigned in Principles of Marketing is Marketing Mix Reports. The students pick a good or a service at the beginning of class and throughout the semester use that good or service as a reference and an example for each topic we cover. In addition, they prepare a report on the marketing mix actually used for that product.

At the beginning of the semester, the students are required to choose a product by brand name. Many popular brands such as Tommy Hilfiger, Nike, and Coke are chosen, but also some lesser-known brands such as Louisville Slugger, Peavey, or Furby are chosen. Some students choose familiar products such as soft drinks, automobiles, backpacks, sports equipment, and computers; others choose a special-interest item that is less familiar to most of us such as deer stands, paint ball equipment, or a musical group. I must approve the choice, and my criterion is whether there is enough marketing information readily available on the good or service. I put the brand names of the products the students have chosen on the seating chart next to their respective names, which allows me to use their products as examples during lectures.

In the past I’ve had them hand in a single report after we had covered product, place, promotion, and price, but at present I break it down into four separate reports. These one- or two-page reports are easy to prepare, but it forces the student to apply and properly use marketing terms and concepts. As we cover each of the four Ps, the student has to prepare a report, which is handled in or presented at the last class meeting before the exam on that topic. Every semester I get numerous comments on my teaching evaluation from students about how much doing the report helped in preparing for the exam and in learning the course material.



# Chapter 2

## Strategic Planning for Competitive Advantage

**MKTG10**

**Lamb, Hair, and McDaniel**



# LEARNING OUTCOMES

2-1 Understand the importance of strategic planning

2-2 Define strategic business units (SBUs)

2-3 Identify strategic alternatives and know a basic outline for a marketing plan

2-4 Develop an appropriate business mission statement

# LEARNING OUTCOMES

2-5 Describe the components of a situation analysis

2-6 Identify sources of competitive advantage

2-7 Explain the criteria for stating good marketing objectives

2-8 Discuss target market strategies

# LEARNING OUTCOMES

- 2-9** Describe the elements of the marketing mix
- 2-10** Explain why implementation, evaluation, and control of the marketing plan are necessary
- 2-11** Identify several techniques that help make strategic planning effective



2-1

# The Nature of Strategic Planning

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**Understand the  
importance of strategic  
marketing and know  
a basic outline for  
a marketing plan**

# Strategic Planning is...

the managerial process of creating and maintaining a fit between the organization's objectives and resources and the evolving market opportunities.

Strategic marketing management addresses two questions:

- What is the organization's main activity at a particular time?
- How will it reach its goals?

**2-2**

# Strategic Business Units

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**Define Strategic  
Business Units  
(SBUs)**

# Characteristics of Strategic Business Units (SBUs)

An SBU has...

- ◆ A distinct mission and specific target market
- ◆ Control over its resources
- ◆ Its own competitors
- ◆ A single business or a collection of related businesses
- ◆ Plans independent of other SBUs



2-3

# Strategic Alternatives

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**Identify strategic  
alternatives**

# Ansoff's Opportunity Matrix

<b>Market Penetration</b>	<b>Increase market share among existing customers</b>
<b>Market Development</b>	<b>Attract new customers to existing products</b>
<b>Product Development</b>	<b>Create new products for present markets</b>
<b>Diversification</b>	<b>Introduce new products into new markets</b>

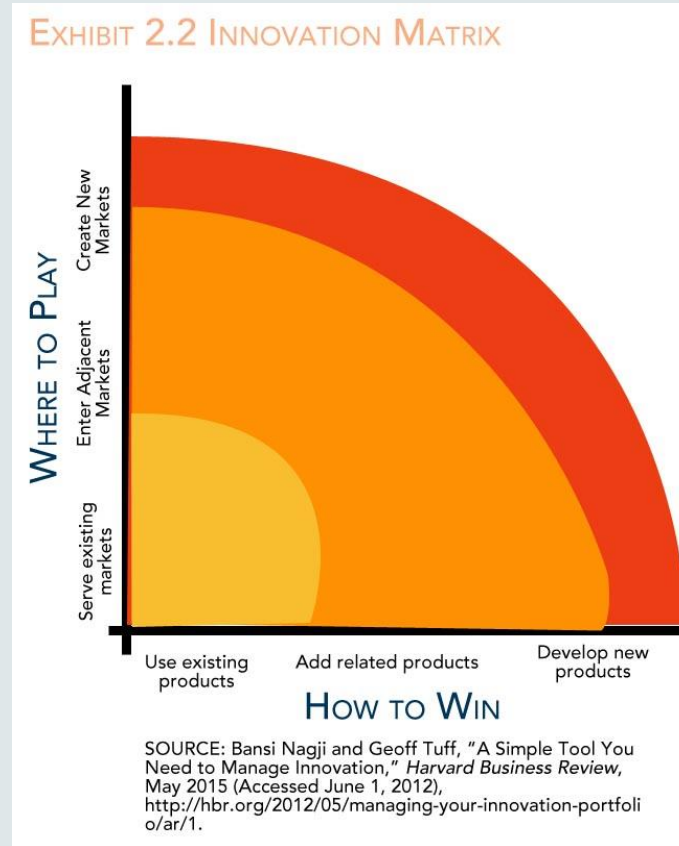
# 2.1

# Ansoff's Opportunity Matrix

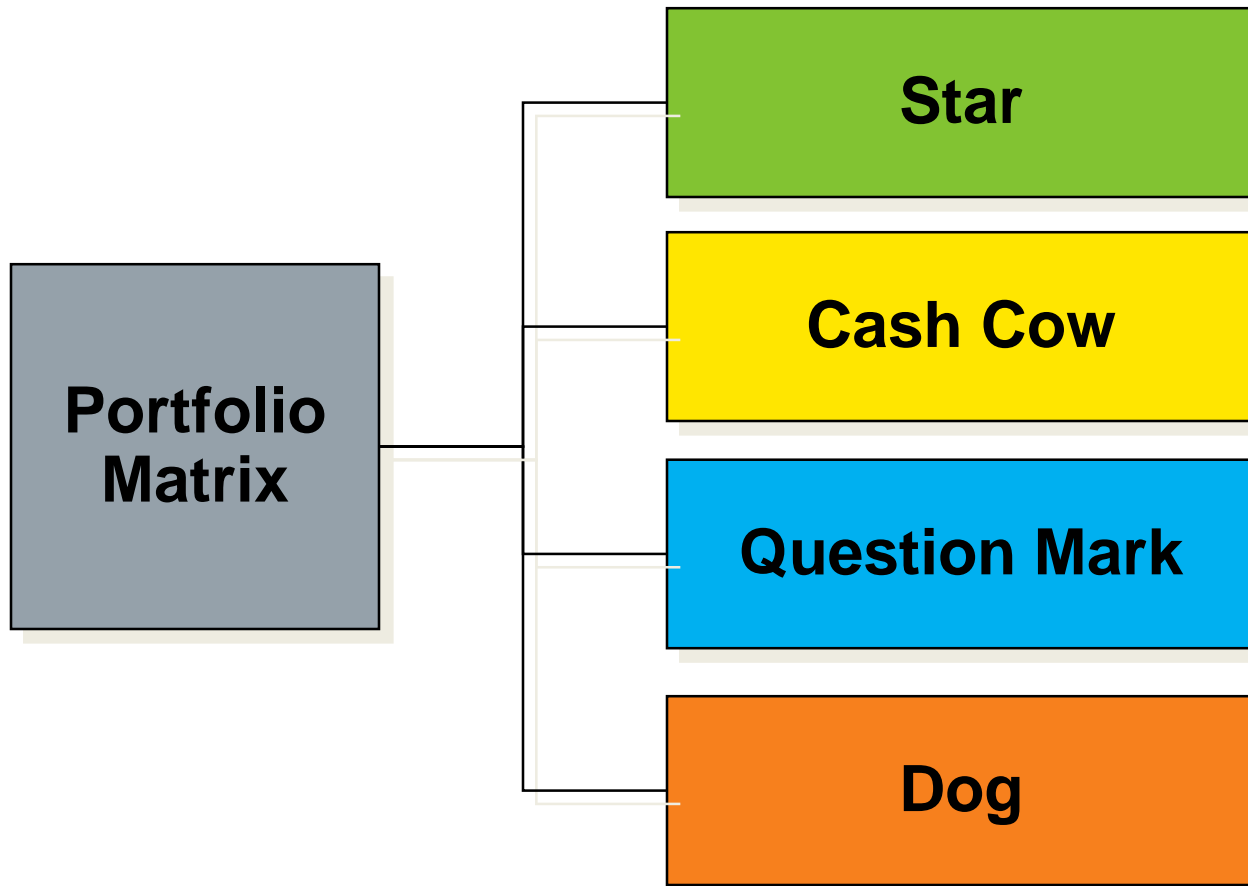
	<i>Present Product</i>	<i>New Product</i>
<i>Present Market</i>	<p><i>Market Penetration</i> Starbucks sells more coffee to customers who register their reloadable Starbucks cards.</p>	<p><i>Product Development</i> Starbucks develops powdered instant coffee called Via.</p>
<i>New Market</i>	<p><i>Market Development</i> Starbucks opens stores in Brazil and Chile</p>	<p><i>Diversification</i> Starbucks launches Hear Music and buys Ethos Water.</p>

# 2.2

# Innovation Matrix

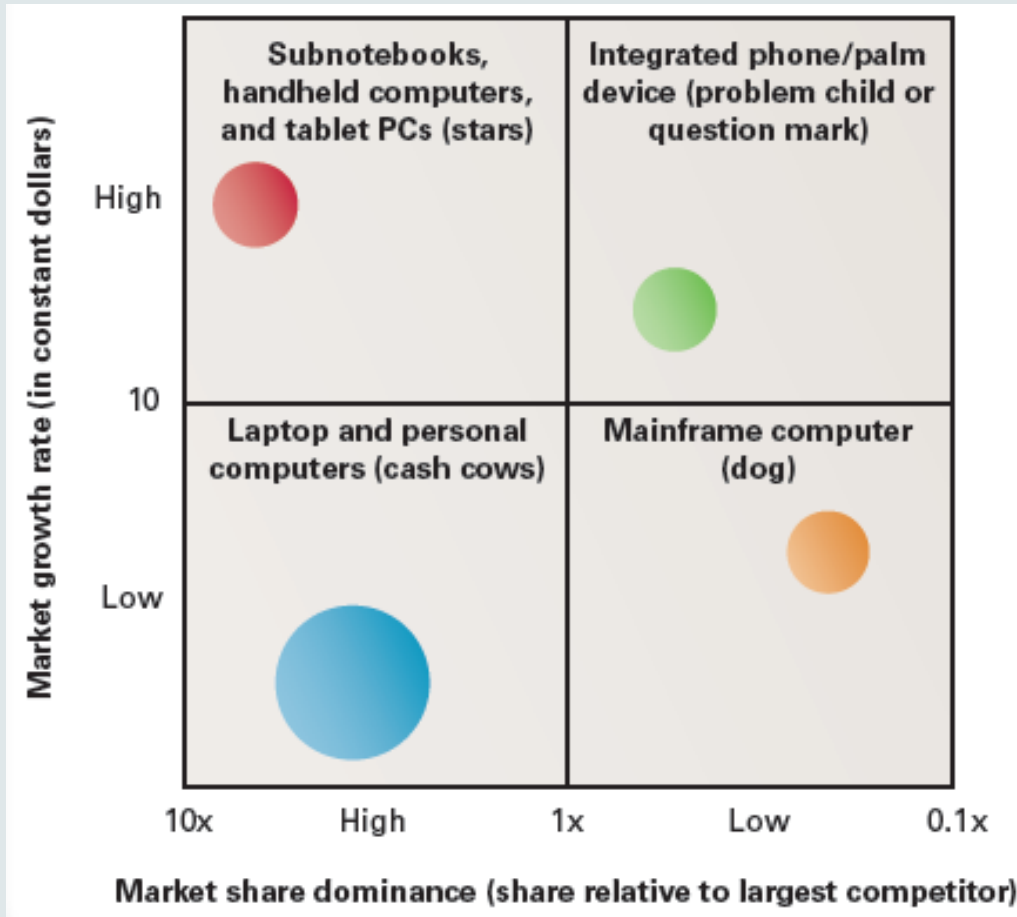


# Boston Consulting Group Portfolio Matrix



# 2.3

## Portfolio Matrix for a Large Computer Manufacturer



# Portfolio Matrix Strategies

**Build**

**Hold**

**Harvest**

**Divest**

# 2.4

## General Electric Model

<b>Market attractiveness</b>	<b>High</b>	Cautiously Invest	Invest/Grow	Invest/Grow
	<b>Medium</b>	Harvest/Divest	Cautiously Invest	Invest/Grow
	<b>Low</b>	Harvest/Divest	Harvest/Divest	Cautiously Invest
		<b>Low</b>	<b>Medium</b>	<b>High</b>
		<b>Business Position</b>		



# What Is a Marketing Plan?

- ◆ *Planning* – the process of anticipating future events and determining strategies to achieve organizational objectives in the future.
- ◆ *Marketing Planning* – designing activities relating to marketing objectives and the changing marketing environment.
- ◆ *Marketing Plan* – a written document that acts as a guidebook of marketing activities for the marketing

# Why Write a Marketing Plan?

The creation and implementation of a complete marketing plan will allow the organization to achieve marketing objectives and succeed.

However, the marketing plan is only as good as the information it contains and the effort, creativity, and thought that went into its creation.

# 2.5

# Elements of a Marketing Plan



2-4

# Defining the Business Mission

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**Develop an  
appropriate business  
mission statement**

# Defining the Business Mission

- ◆ Answers the question, “What business are we in?”
- ◆ The business mission profoundly affects the firm’s long-run resource allocation, profitability, and survival
- ◆ Business mission statements that are stated too narrowly suffer from marketing myopia

2-5

# Conducting a Situation Analysis

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**Describe the  
components of a  
situation analysis**

# SWOT Analysis



# Components of a SWOT Analysis

Examining internal strengths and weaknesses.

Focus on organizational resources:

- Production costs
- Marketing skills
- Financial resources
- Company or brand image
- Employee capabilities
- Technology



# Environmental Scanning

Helps identify  
opportunities and threats.

Designing a marketing strategy is based on six major environmental forces:

- Social
- Demographic
- Economic
- Technological
- Political/Legal
- Competitive

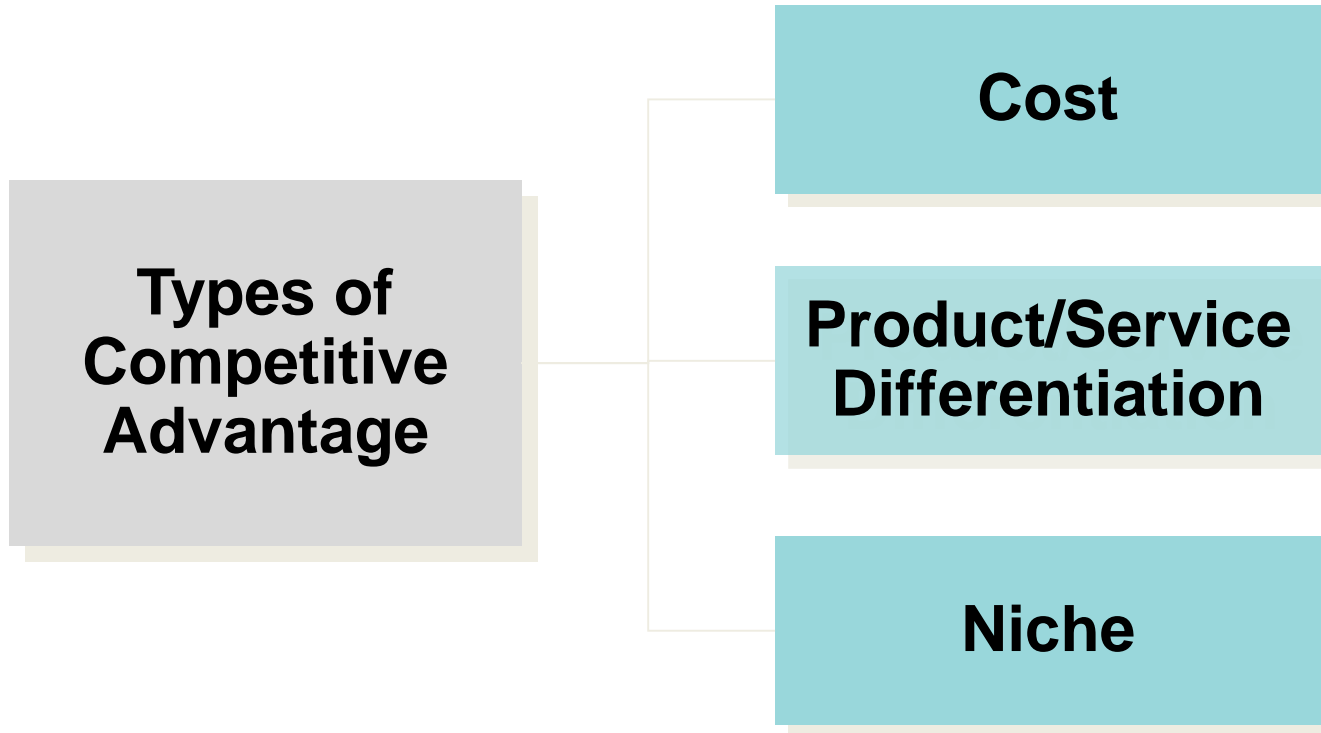
**2-6**

# Competitive Advantage

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**Identify sources  
of competitive  
advantage**

# Competitive Advantage



# Cost Competitive Advantage

A competitive advantage is a set of unique features of a company and its products that are perceived by the target market as significant and superior to those of the competition.

Having a cost competitive advantage means being the low-cost competitor in an industry while maintaining satisfactory profit margins.

# Sources of Cost Reduction

**Experience Curves**

**Product Design**

**Efficient Labor**

**Reengineering**

**No-frills Products**

**Production  
Innovations**

**Government  
Subsidies**

**New Service  
Delivery Methods**

# Examples of Product/Service Differentiators

A product/service differentiation competitive advantage exists when a firm provides something that is unique and valuable to buyers beyond simply offering a lower price than that of the competition. Examples include:

- ◆ Brand names
- ◆ Strong dealer network
- ◆ Product reliability
- ◆ Image
- ◆ Service

# Niche Competitive Advantage

A niche competitive advantage seeks to target and effectively serve a single segment of the market. A nice competitive advantage:

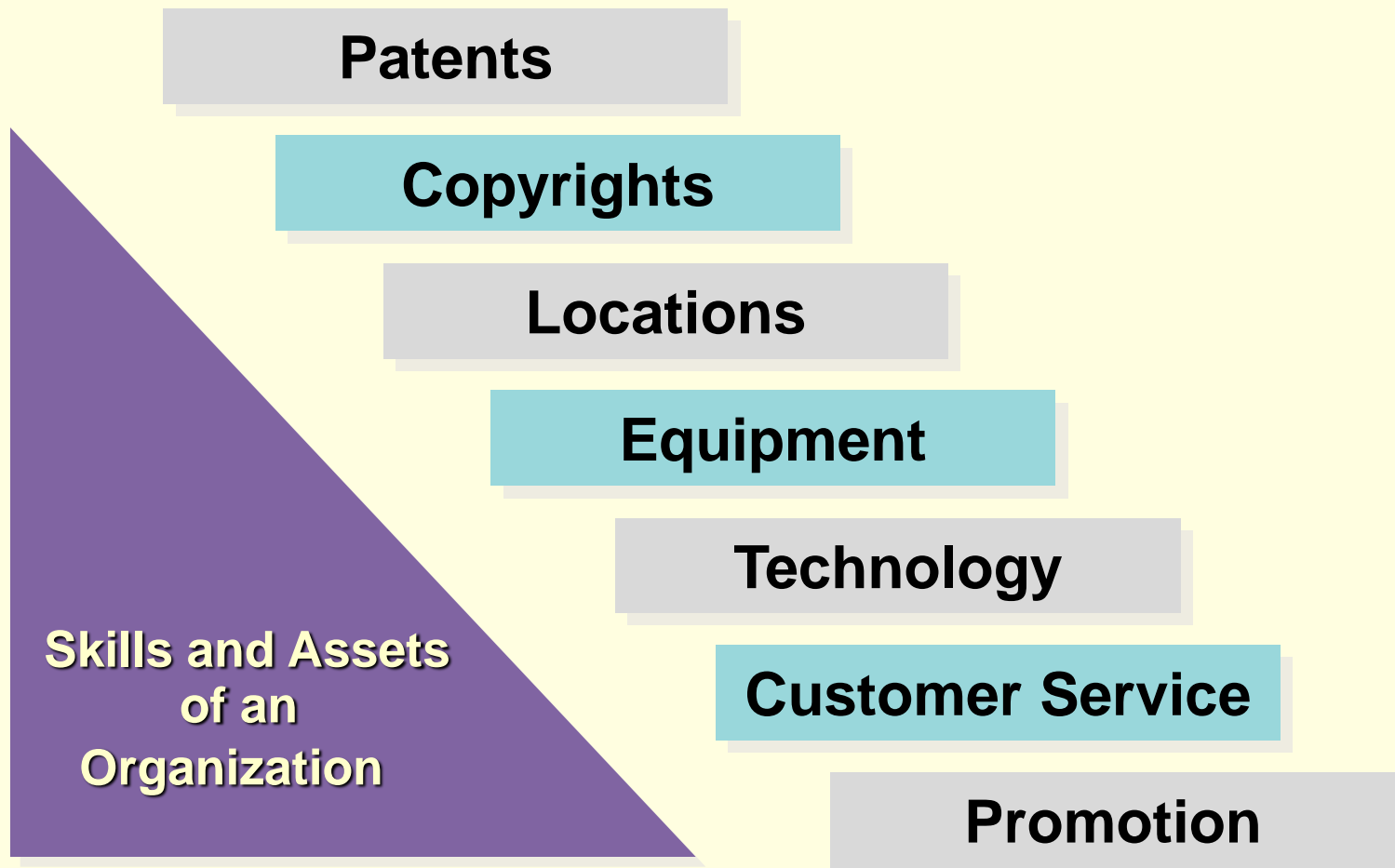
- ◆ Is used by small companies with limited resources
- ◆ May be used in a limited geographic market

# Building Sustainable Competitive Advantage

- ◆ Sustainable competitive advantage is an advantage that cannot be copied by the competition.
- ◆ A firm that has successfully achieved a competitive advantage will stake out a position unique in some manner from its rivals.



# Sources of Sustainable Competitive Advantage



2-7

# Setting Marketing Plan Objectives

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**Explain the criteria  
for stating good  
marketing objectives**

# Marketing Objectives

A **marketing objective** is a statement of what is to be accomplished through marketing activities. To be useful, stated objectives should be:

- ◆ Realistic
- ◆ Measurable
- ◆ Time specific
- ◆ Compared to a benchmark

**“Our objective is to achieve 10 percent dollar market share in the cat food market within 12 months of product introduction.”**

# Criteria for Good Marketing Objectives

Carefully specified objectives serve several functions:

1. **Communicate marketing management philosophy**
2. **Provide management direction**
3. **Motivate employees**
4. **Force executives to clarify their thinking**
5. **Form a basis for control**

2-8

# Describing the Target Market

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**Discuss target  
market strategies**

# Describing the Target Market

## ***Marketing Strategy*** *involves...*

the activities of selecting and describing one or more target markets and developing and maintaining a marketing mix that will produce mutually satisfying exchanges with target markets.

## ***Marketing Opportunity Analysis (MOA)*** *involves...*

the description and estimation of the size and sales potential of market segments that are of interest to the firm and the assessment of key competitors in these market segments.

# Target Market Strategy

- Segment the market based on groups with similar characteristics
- Analyze the market based on attractiveness of market segments
- Select one or more target markets

# Target Market Strategy

**Appeal to the entire market  
with one marketing mix**

**Concentrate on one  
marketing segment**

**Appeal to multiple markets  
with multiple marketing mixes**



2-9

# The Marketing Mix

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**Describe the  
elements of the  
marketing mix**

# *The Marketing Mix is...*

a unique blend of **product**, **place (distribution)**, **promotion**, and **pricing** strategies designed to produce mutually satisfying exchanges with a target market.

**The elements of the marketing mix  
are often referred to as the**

***"Four Ps"***

# Marketing Mix: The “Four Ps”

The starting point of the “4 Ps” Includes:

- ◆ Physical unit
- ◆ Package
- ◆ Warranty
- ◆ Service
- ◆ Brand
- ◆ Image
- ◆ Value



Products can be...

- ◆ Tangible goods
- ◆ Ideas
- ◆ Services

# Marketing Mix: The “Four Ps”



## Place

- ◆ Product availability where and when customers want them
- ◆ All activities from raw materials to finished products
- ◆ Ensure products arrive in usable condition at designated places when needed

# Marketing Mix: The “Four Ps”



## Promotion

Role is to bring about exchanges with target markets by:

- ◆ Informing
- ◆ Educating
- ◆ Persuading
- ◆ Reminding

Includes integration of:

- ◆ Advertising
- ◆ Public relations
- ◆ Sales promotion
- ◆ Personal selling

# Marketing Mix: The “Four Ps”



## Price

- ◆ Price is what a buyer must give up to obtain a product.
- ◆ The most flexible of the “4 Ps”—quickest to change
- ◆ Competitive weapon
- ◆  $\text{Price} \times \text{Units Sold} = \text{Total Revenue}$

**2-10**

# Following Up on the Marketing Plan

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**Explain why  
implementation,  
evaluation, and control  
of the marketing plan  
are necessary**

# Following Up on the Marketing Plan

- ◆ Implementation
- ◆ Evaluation and Control
- ◆ A marketing audit is...
  - ◆ Comprehensive
  - ◆ Systematic
  - ◆ Independent
  - ◆ Periodic



# Post-audit Tasks

After the audit, three tasks remain:

1. Profile and make recommendations about weaknesses and inhibiting factors as well as strengths and new opportunities.
2. Ensure that the role of the audit has been clearly communicated.
3. Make someone accountable for implementing recommendations.

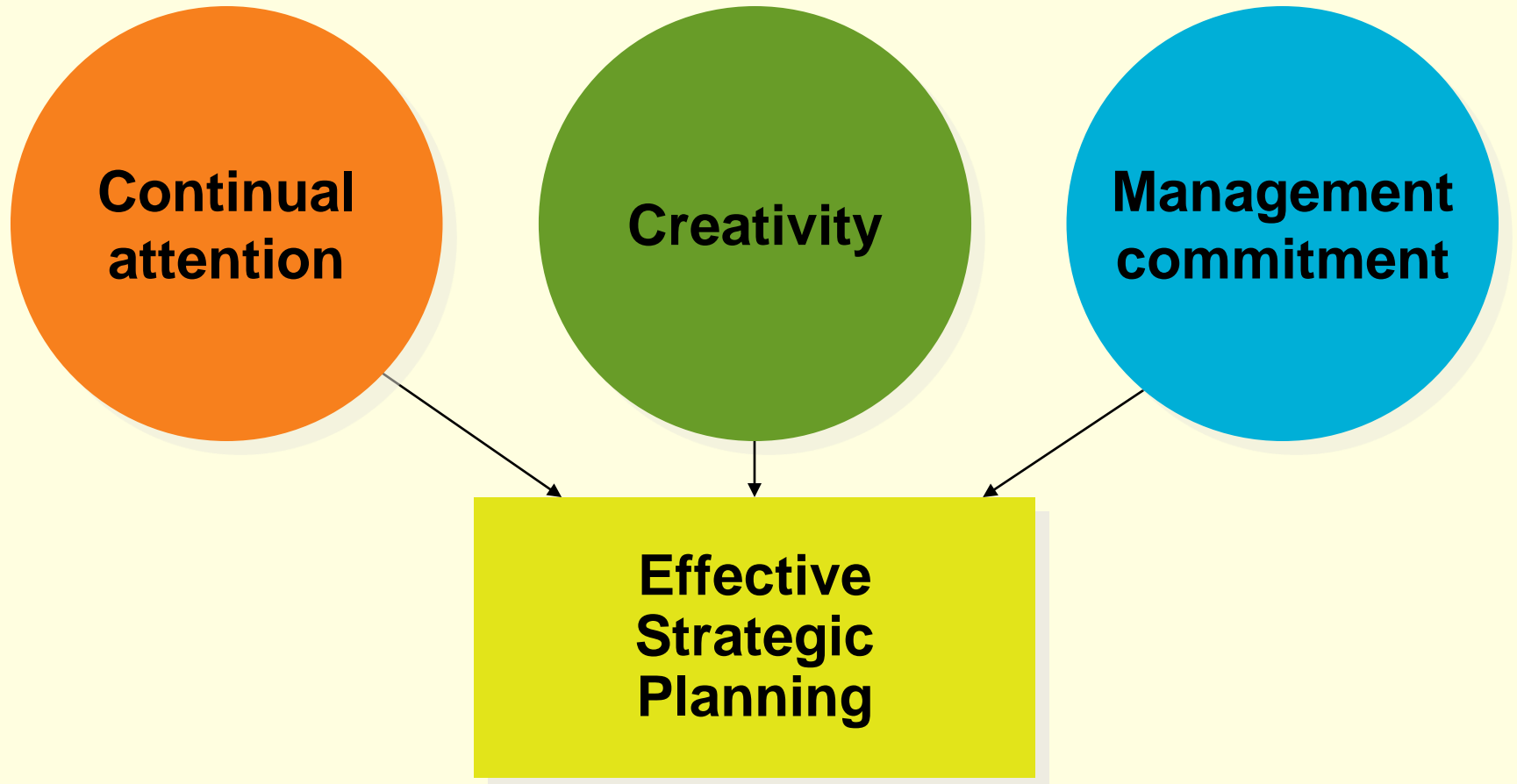
2-11

# Effective Strategic Planning

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**Identify several  
techniques that help  
make strategic  
planning effective**

# Techniques for Effective Strategic Planning



# *Chapter 2 Video*

## **The Nederlander**

## **Organization**

The Nederlander Organization is a global theatre management company that backs productions, rents, and manages Broadway style theatres. In this video, major managers discuss the strategic decisions behind the development of a separate company to manage Audience Rewards, a loyalty program for theatre-goers.

**[CLICK TO PLAY VIDEO](#)**