

# SOLUTIONS MANUAL

LAMB HAIR MCDANIEL Copyrighted Material

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# MKTG

STUDENT EDITION

## What's Inside:

A student-tested,  
faculty-approved  
approach to learning  
**Marketing**

An enhanced  
user experience  
created with  
direct student input.

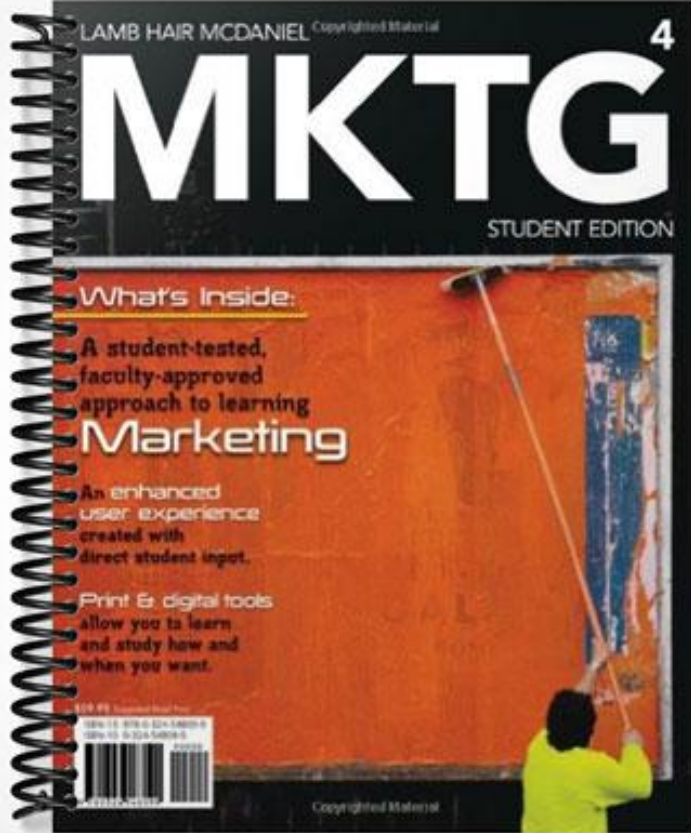
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## CHAPTER 2 Strategic Planning for Competitive Advantage

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### CHAPTER FEATURES

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- *Learning Outcomes*
- *Chapter Outline*
- *Key Terms*
- *Review and Applications*
- *Application Exercise*
- *Ethics Exercise*
- *Case Assignment*
- *Supplemental Class Activity*
- *Great Ideas for Teaching*

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### USING THIS MANUAL

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Chapter two includes ten learning outcomes that help students become more familiar with strategic planning for competitive advantage. The chapter outline provides detailed analysis of the ten learning outcomes, listing PowerPoint slides and review questions as they correspond to sections of the text. Answers and explanations for end-of-chapter exercises are included following the outline. Supplemental exercises for video, classroom, and group activities are also included throughout the manual to provide more ideas on instructional applications. The last section lists great ideas for teaching marketing from faculty from around the country.

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### LEARNING OUTCOMES

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

Strategic marketing planning is the basis for all marketing strategies and decisions. 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. Although there is no set formula or a single correct outline, a marketing plan should include elements such as stating the business mission, setting objectives, performing a situation analysis of internal and external environmental forces, selecting target market(s), delineating a marketing mix (product, place, promotion, and price), and establishing ways to implement, evaluate, and control the plan.

Although there is no set formula or a single correct outline, a marketing plan should include basic elements such as stating the business mission, setting objectives, performing a situation analysis of internal and external environmental forces, selecting target market(s), delineating a marketing mix (product, place, promotion, and price), and establishing ways to implement, evaluate, and control the plan.

#### **2 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 or markets the organization is attempting to serve rather than on the good or service offered.

#### **3 Explain 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 most-often-studied macroenvironmental forces are social, demographic, economic, technological, political and legal, and competitive.

## 4 Describe the criteria for stating good marketing objectives

Objectives should be realistic, measurable, time specific, consistent, and indicate the priorities of the organization. Good marketing objectives: (1) communicate marketing management philosophy; (2) provide management direction; (3) motivate employees; (4) force executives to think clearly; (5) allow for better evaluation of results

## 5 Identify sources of competitive advantage

There are three types of competitive advantages: cost, product/service differentiation, and niche strategies. Sources of cost competitive advantages include experience curves, efficient labor, no-frills goods and services, government subsidies, product design, reengineering, product 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.

## 6 Identify strategic alternatives

The strategic opportunity matrix can be used to help management develop strategic alternatives. The four options are market penetration, product development, market 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, and dogs, depending on their present or projected growth and market share.

## 7 Discuss target market strategies

Targeting markets begins with a market opportunity analysis (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. The three strategies for selecting target markets are appealing to the entire market with one marketing mix, concentrating on one segment, or appealing to multiple market segments using multiple marketing mixes.

## 8 Describe the elements of the marketing mix

The marketing mix (or four Ps) is a blend of product, place, promotion, and pricing strategies 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 to obtain a product and is often the easiest to change of the four marketing mix elements.

## 9 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. Control provides the mechanisms for evaluating marketing results in light of the plan's objectives and for correcting actions that do not help the organization reach those objectives within budget guidelines.

## 10 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 cooperation.

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### CHAPTER OUTLINE

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<b>PowerPoint 5:</b> Strategic Planning	<b>1 Understand the importance of strategic marketing and know a basic outline for a marketing plan</b>
	I. The Nature of Strategic Planning
	A. Marketing managers must create and maintain a fit between the organization's objectives and resources and the evolving market.

**PowerPoint 6:**  
Strategic Marketing  
Management

Review Question 1.1

**PowerPoint 7:**  
Why Write a Marketing  
Plan?

**PowerPoint 8:**  
Marketing Plan Elements

Review Questions 1.2, 1.3

Review Question 2.1

1. **Strategic planning** is the managerial process of creating and maintaining a fit between the organization's objectives and resources and evolving market opportunities.
2. Strategic marketing management addresses two questions: What is the organization's main activity at a particular time? And how will it reach its goals?

B. What Is a Marketing Plan?

1. **Planning** is the process of anticipating future events and determining strategies to achieve organizational objectives in the future.
2. **Marketing planning** involves designing activities relating to marketing objectives and the changing marketing environment.
3. Issues such as product lines, distribution channels, marketing communications, and pricing are all delineated in the **marketing plan**.

C. Why Write a Marketing Plan?

1. The **marketing plan** is a written document that acts as a guidebook of marketing activities for the marketing manager .
2. The marketing plan allows you to examine the external marketing environment in conjunction with the inner workings of the business, allowing the firm to enter the marketplace with an awareness of possibilities and problems.

D. Marketing Plan Elements

There are elements common to all marketing plans, such as defining the business mission and objectives, performing a situation analysis, delineating a target market, and establishing components of the marketing mix.

E. Writing the Marketing Plan

Creating a complete marketing plan is not a simple or quick effort. And the plan is only as good as the information it contains and the effort, creativity, and thought that went into its creation.

1. Many of the elements in the plan are decided upon simultaneously and in conjunction with one another.
2. Every marketing plan is unique to the firm for which it was created.

## 2 Develop an appropriate business mission statement

### II. Defining the Business Mission

- A. The firm's **mission statement** is the long-term vision based on a careful analysis of benefits sought by present and potential customers and analysis

**PowerPoint 12:** Defining the Business Mission

of existing and anticipated environmental conditions.

- B. Defining the business in terms of goods and services rather than in terms of the benefits customers seek is sometimes called **marketing myopia**. In this context, the term *myopia* means narrow, short-term thinking, which can threaten an organization's survival.
- C. The organization may need to define a mission statement and objectives for a **strategic business unit (SBU)**, which is a subgroup of a single business, or collection of related businesses within the larger organization.

**PowerPoint 14:** Strategic Business Units

Strategic business units will have the following characteristics:

1. A distinct mission and a specific target market
2. Control over their resources
3. Their own competitors
4. Plans independent of the other businesses in the organization

**PowerPoint 16:** Conducting a Situation or SWOT Analysis**3 Explain the components of a situation analysis**

## III. Conducting a Situation Analysis

- A. A situation analysis is sometimes referred to as a **SWOT analysis**. That is, the firm should identify its internal strengths (S) and weaknesses (W) and also examine external opportunities (O) and threats (T).
- B. **Environmental scanning** is the collection and interpretation of information about forces, events, and relationships in the external environments that may affect the future of the organization.

## Review Question 3.1

*Rising gas prices and a weakening dollar have created a complex, possibly advantageous environment for McDonalds. While increased gas prices may discourage some consumers from visiting its drive-through windows, McDonalds hopes that its widespread availability, inexpensive prices, and new gourmet-style coffee offerings will attract consumers trying to save money by downgrading from pricier venues.*

- C. The six most often studied macroenvironmental forces are social, demographic, economic, technological, political/legal, and competitive.

**PowerPoint 17:** Environmental Scanning**4 Describe the criteria for stating good marketing objectives**

## Review Question 4.1

## IV. Setting Marketing Plan Objectives

**PowerPoint 20:** Marketing Objectives

- A. A **marketing objective** is a statement of what is to be accomplished through marketing activities.
- B. Marketing objectives should be realistic, measurable, time specific, and compared to a benchmark.

*When Mountain Dew Sport was introduced the company's goal was to have a 5 percent share of the sports drink market within three years.*

- C. Objectives communicate marketing management philosophies, provide direction, serve as motivators, are a basis for control, and force executives to clarify their thinking.

## 5 Identify the sources of competitive advantage

### V. Competitive Advantage

**PowerPoint 23:**  
Competitive Advantage

Review Question 5.1

**PowerPoint 24:**  
Competitive Advantage

**PowerPoint 25:** Cost  
Competitive Advantage

**PowerPoint 26:** Sources  
of Cost Reduction

- A. **Competitive advantage** consists of a set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.
- B. Factor or factors which cause customers to patronize a firm and not the competition.
- C. The three types of competitive advantages are cost-competitive advantage, product-service differentiation, and niche competitive advantage.

1. A **cost-competitive advantage** results from being the low cost competitor in an industry while maintaining satisfactory profits. Sources of cost-competitive advantages include:

- a. **Experience curves** tell us that costs decline at a predictable rate as experience with a product increases.
- b. Efficient labor resulting from pools of cheap labor.
- c. Removing frills and options from a product or service.
- d. Government subsidies which effectively lower the cost of production by the amount of the subsidy.
- e. Designing products for ease of production or using reverse engineering to cut research and design costs.
- f. Reengineering through downsizing, deleting unprofitable product lines, closing obsolete factories, or renegotiating supplier contracts.
- g. Use of production innovations such as new technology and simplified production techniques.
- h. Developing new, more efficient, methods of service delivery.

2. **Product/service differentiation** exists when a firm provides something unique that is valuable to buyers.

- a. Because cost competitive strategies are subject to continual erosion, product/service differentiation tends to provide a longer lasting competitive advantage.
- b. Brand names offer enduring competitive advantage.

*Firms fiercely defend brand names and brand dress (color and design). Brand identity conveys attributes such as company image and reputation and product quality.*

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

- a. Small companies with limited resources can compete with larger companies using niche strategies.

**PowerPoint 30:**  
Sources of Sustainable  
Competitive Advantage

- b. A market segment that has good growth potential but is not crucial to the success of major competitors is a good candidate for developing a niche strategy.

D. Building Sustainable Competitive Advantage

- 1. A sustainable competitive advantage is one that cannot be copied by the competition.
- 2. The sources of future competitive advantages are the skills and assets of the organization. Skills and assets include patents, copyrights, locations, equipment, technology, customer service, and promotion.
- 3. A **sustainable competitive advantage** is a function of the speed with which competitors can imitate a leading company's strategy plans.

*Bass Pro Shops designs stores to enhance the customer experience by entertaining the customers while they shop.*

## **6 Identify strategic alternatives and describe tools used to help select alternatives**

VI. Strategic Directions

- A. To discover a marketing opportunity or strategic window, management must know how to identify the strategic alternatives. One method is Ansoff's strategic opportunity matrix.
  - 1. A firm following a **market penetration** alternative would try to increase market share among existing customers.

*Cereal manufacturers attempt to increase market share through the intense advertisements of their different offerings.*

- 2. **Market development** is a strategic alternative that attracts new customers to existing products, perhaps by expanding the target market or expanding geographically.

Ideal for finding new uses for old products that will stimulate additional sales among existing customers while also bringing in new buyers.

*Whirlpool is seeking to be the world leader in the sales of home appliances with its expansion into European and Asian markets.*

- 3. A **product development strategy** entails the creation of new products for present markets. Advantages of this strategy are current knowledge of the target market and established distribution channels.

*Colgate's introduction of Total toothpaste is designed to appeal to the aging Crest generations' changing dental requirements.*

- 4. **Diversification** refers to a strategy of increasing sales by introducing new products into new markets. This strategy can be very risky when a

**PowerPoint 32:**  
Strategic Alternatives

Review Question 6.1

**PowerPoint 33-34:**

firm is entering unfamiliar markets.

B. Selecting a Strategic Alternative

In the Boston Consulting Group's portfolio matrix, each SBU is classified by its present or forecast growth and market share.

1. A **star** is a fast-growing market leader.
2. A **cash cow** usually generates more cash than is needed to maintain market share
3. A **problem child** (or question mark) shows rapid growth but poor profit margins
4. A **dog** has low growth potential and a small market share.

The next step is to allocate future resources for each SBU:

1. Build if an organization has a current problem child that it believes has the potential to be a star.
2. Hold if an SBU is a very successful cash cow.
3. Harvest too increase the short-term cash return without too much concern for the long-run impact. Appropriate for all SBUs except those classified as stars.
4. Divest problem children and dogs with low shares of low-growth markets.

**PowerPoint 35:**  
Portfolio Matrix Strategies

## 7 Discuss target market strategies

### VII. Describing the Marketing Strategy

**Marketing strategy** involves selecting and describing one or more target markets, and developing and maintaining a marketing mix that will produce mutually satisfying exchanges with target markets.

A. Target Market Strategy

1. A market segment is a group of individuals or organizations that share one or more characteristics. **Market opportunity analysis** is the description and estimation of the size and sales potential of market segments that are of interest to the firm.
2. Target market(s) can be selected by appealing to the entire market, concentrating on one segment, or appealing to multiple market segments using multiple marketing mixes.

Review Question 7.1

**PowerPoint 37-39:**  
Target Market Strategy

## 8 Describe elements of the marketing mix

### VIII. The Marketing Mix

*Introduce each of the four P's of marketing. Then point out that a coordinated combination of all four elements is necessary to achieve a successful marketing mix.*

**PowerPoint 41:**  
The Marketing Mix

The term **marketing mix** refers to a unique blend of product, distribution, promotion, and pricing strategies designed to produce mutually satisfying



Review Question 8.1

**PowerPoint 42:**  
The “Four Ps”

**PowerPoint 43:**  
The “Four Ps”: Product

**PowerPoint 44:**  
The “Four Ps”: Place  
(Distribution)

**PowerPoint 45:**  
The “Four Ps”: Promotion

**PowerPoint 46:**  
The “Four Ps”: Price

**PowerPoint 49:**  
Following Up the  
Marketing Plan

Review Questions 9.1

exchanges with a target market.

Distribution is sometimes referred to as place, thus giving us the “**four P's**” of the marketing mix: product, place, promotion, and price.

*Example:*

*Target market: People who commute to work*

*Product: Hybrid powered cars*

*Place: Especially larger urban and suburban areas and those having strict pollution standards*

*Promotion: Automotive magazines, TV, Internet*

*Price: Under \$20,000*

#### A. Product Strategies

The heart of the marketing mix, the starting point, is the product offering and product strategy. The product includes its package, warranty, after-sale service, brand name, company image, and many other factors.

#### B. Distribution Strategies

Distribution strategies, which usually involve wholesalers and retailers, are concerned with making products available when and where customers want them. Physical distribution also involves all the business activities that are concerned with storing and transporting raw materials or finished products.

#### C. Promotion Strategies

Promotion includes personal selling, advertising, sales promotion, and public relations. Promotion's role in the marketing mix is to inform, educate, persuade, and remind target markets about the benefits of an organization or a product.

#### D. Pricing Strategies

Price is what a buyer must give up to obtain a product. Price is often the most flexible of the four marketing mix elements, the quickest element to change. Price is a very important competitive weapon and very important to the organization, because price multiplied by the number of units sold equals total revenue for the firm.

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

### IX. Following Up The Marketing Plan

A. **Implementation** is the process of gaining the organizational compliance required to put marketing strategies into action. Brilliant marketing strategies are doomed to fail if they are not properly implemented.

B. **Evaluation** entails gauging the extent to which marketing objectives have been achieved during a specified time period.

C. **Control** provides the mechanisms for evaluating marketing results in light

of the strategic plan and for correcting actions that do not help the organization reach those goals within budget guidelines.

1. A **marketing audit** is a thorough, systematic, periodic evaluation of the goals, strategies, structure, and performance of the marketing organization.

2. The marketing audit has four characteristics:  
*Comprehensive* - The marketing audit covers all the major marketing issues facing an organization and not just trouble spots.

*Systematic* - The marketing audit takes place in an orderly sequence and covers the organization's marketing environment, internal marketing system, and specific marketing activities. The diagnosis is followed by an action plan with both short-run and long-run proposals for improving overall marketing effectiveness.

*Independent* - The marketing audit is normally conducted by an inside or outside party who is independent enough to have top management's confidence and to be objective.

*Periodic* - The marketing audit should be carried out on a regular schedule instead of only in a crisis.

## 10 Identify several techniques that help make strategic planning effective

### X. Effective Strategic Planning

Effective strategic planning requires continual attention, creativity, and management commitment.

- A. It is not an annual but an ongoing process.
- B. Sound planning is based on creativity. The firm needs to challenge existing assumption.
- C. Perhaps the most critical element is the support and participation of top management

**PowerPoint 51:**  
Effective Strategic  
Planning

Review Question 10.1

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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	product development
dog	marketing myopia	product/service differentiation competitive advantage
environmental scanning	marketing objective	star
evaluation	marketing plan	strategic business unit (SBU)
experience curves	marketing planning	strategic planning
four Ps	marketing strategy	sustainable competitive advantage
implementation	mission statement	SWOT analysis

**Suggested Homework:**

- The Prep cards for each chapter contain questions that can be assigned or used as the basis for longer investigations into marketing.

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**REVIEW AND APPLICATIONS**


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- 1.1 Your cousin wants to start his own business, but 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.

- 1.2 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. Consequently, 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:

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

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Pricing strategies  
Implementation, evaluation, and control

- 1.3 How are Coke and Pepsi using their Web sites, [www.coke.com](http://www.coke.com) and [www.pepsi.com](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.

- 2.1 Thinking back to question 1.2, write a business mission statement for Shur Snak. What elements should you include? Evaluate the mission you wrote against some of the missions you find online.**

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; or 5) goals, such as market leadership.

- 3.1 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) [www.ups.com](http://www.ups.com)  
USPS [www.usps.gov](http://www.usps.gov)

FedEx [www.fedex.com](http://www.fedex.com)  
DHL [www.dhl-usa.com](http://www.dhl-usa.com)

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

Internal analysis:

Strengths and Weaknesses

External analysis:

Opportunities and Threats

- 4.1 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 are: 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.

- 5.1 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.

- 6.1 Based on your SWOT analysis, decide what the strategic growth options are for the company you chose in question 3.1.**

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

**7.1 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/delivery

Price: Medium to high

Place: Downtown businesses around the country

Promotion: Television, radio

**8.1 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

**9.1 Have your school enrollment marketing plan team (from question 8.1) 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 do 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.

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

The effectiveness of the plan depends on many 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. (For instance, does the plan provide an opportunity to use competitive advantage?)

<b>Supplemental Exercise: Group Work Review and Applications</b>
<p>Review and Application Questions 1.2, 2.2, 3.1, 4.1, 5.1, 6.1, 8.1, and 9.1 lend themselves well to group work. For these activities, divide the class into small groups of 4-5 people. Each group should read the question and then use their textbooks, or any upfront work that was done previously, to complete the exercise. Then each group should discuss or present their work to the class.</p>

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## APPLICATION EXERCISE

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**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 be worked 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, which 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 objective 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

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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.

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## ETHICS EXERCISE

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### The Set-up:

Abercrombie & Fitch, a retail clothing chain, launched a line of thong underwear for preteen girls. Phrases such as “eye candy” and “wink wink” were printed on the front of the skimpy underwear that some argued were sized for girls aged five to ten. Supporters of the strategy claim that producing thong-style underwear for the age 10 to 16 crowd is a good move; critics think that the line is tasteless and that marketing it to young girls is contemptuous.

### 1. Is marketing adult-styled undergarments to a younger audience unethical? Why or why not?

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? Explain your answer.

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.

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## CASE STUDY

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### Disney: The Happiest Brand on Earth

In 2006, Disney's Pixar released the hit movie *Cars*, which grossed \$462 million worldwide. Since then, *Cars* merchandise has generated over \$2 billion in sales each year. Pixar has since created a series of *Cars* shorts to be aired on the Disney Channel with a subsequent DVD release. A *Cars* sequel is in the works for 2011, and an online virtual gaming world is set to release 2009. In 2012, Disney's California Adventure theme park will open its 12-acre *Cars* Land attraction.

At Disney, the brand is the name of the game, and cross-platform success of the *Cars* franchise is by no means the exception to the rule. Disney also has the *Jonas Brothers*, *Hannah Montana*, *High School Musical*, the *Disney Princesses*, *Pirates of the Caribbean*, and the list goes on and on. The man behind the magic is Disney's CEO, Bob Iger,

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who has led a dramatic revitalization of the Disney brand since succeeding longtime head Michael Eisner in 2005. When he first took the post, his strategy shifted Disney's focus around its stable of "franchises." These franchises are distributed across Disney's multiple company platforms and divisions, such as Disney's various television broadcasts platforms (the Disney Channel, ABC, ESPN), its consumer products business, theme parks, Disney's Hollywood Records music label, and Disney's publishing arm in Hyperion just to name a few.

Iger's franchise strategy has been supported by the other major move he made upon first becoming CEO. On his first day on the job, Iger told the board that revitalizing Disney's animation business was a top priority, which would be improved through the purchase of Pixar. As part of Iger's franchise strategy the deal made perfect sense, as many of Disney's latest TV shows, Disneyland rides, and merchandise was based on Pixar characters.

Finding a new market to push the Disney franchise became a priority as well. With the Disney brand growing flat, it was becoming evident that Disney had missed some opportunities for broader success due to a narrowing of its target market, which was at the time largely associated with younger children.

Iger's first move was to broaden Disney's viewership by moving the Disney Channel from premium to basic cable and launching local versions in key global markets. Then, Disney began pushing franchises to capture the rapidly growing tween market. Putting its support behind the Disney Channel's *High School Musical* and *Hannah Montana* and the Jonas Brothers who were emerging out of Disney's music label, Disney quickly generated a series of franchise juggernauts in the tween-girl market.

Though Disney's focus has remained on family-friendly fare, Iger has shown a new willingness to look to even broader markets, if it fits with the Disney brand. Disney's *Pirates of the Caribbean*, the first Disney film with a PG-13 rating, played a major role in refocusing the brand, being based on the classic theme park ride, and it also helped expand the Disney appeal to older kids and even adults. The *Pirates* and *Cars* franchises also provided preliminary steps for Disney's latest endeavors to crack the tween boy market, age 6–14, one traditionally difficult for media companies to sustainably capture. Their efforts focus around the new Disney XD channel, with a broad range of offerings, such as potential new franchises like the science fiction action-adventure show "Aaron Stone" and showcases of new musical talent. Disney will also be able to leverage ESPN to create original sports-based programming. The channel will be accompanied by a Disney XD Web site, which will promote the channel's programs, as well as offer games and original videos, social networking, and online community opportunities.

As it continues to expand and provide new franchise offerings, Disney looks to have relatively strong momentum, even in the midst of rising economic challenges. As Jobs puts it, "Family is a renewable resource," and right now, Disney is making the most of it.

### **1. Do a brief market opportunity analysis for Disney, identifying the major markets that Disney has expanded into.**

A market opportunity analysis is 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. Students should analyze any of the following strategic moves that were implemented under CEO Iger's leadership: 1) Disney's ability to broker a deal with Pixar to revitalize its animation business and eliminate a chief competitor. 2) Targeting the 6-14 year-old girl market by adding newer, hipper product offerings. 3) Broadening Disney's viewership by moving the Disney Channel from premium to basic cable and launching local versions in key global markets. 4) A willingness to expand into even broader markets by introducing PG-13-rated films and television offerings that appeal to 6-14 year-old boys.

### **2. How does Disney's cross-platform franchising help create sustainable competitive advantage?**

Disney takes advantage of cross-platform franchising by getting the most out of its popular franchises. For example, the *Cars* franchise has been financially lucrative since the *Cars* movie was released in 2006. With a sequel in the works for 2011 and the expected opening of a *Cars* Land attraction at Disney's California Adventure theme park, the franchise is expected to continue to bring in revenue.

### **3. Describe the marketing mix for one of Disney's franchises.**

Students may describe the marketing mix for any of Disney's franchises, not limited to *Cars*, Jonas Brothers, *Hannah Montana*, *High School Musical*, the Disney Princesses, and *Pirates of the Caribbean*. Students should first identify a target market. Students should then describe how product, place (distribution), promotion, and pricing are blended to produce mutually satisfying exchanges with the target market.



#### 4. Describe the major components of Bob Iger’s strategic plan when he first became CEO.

When Bob Iger became CEO of Disney, he shifted Disney’s focus around its stable of franchises to take advantage of cross-platform franchising. He also revitalized Disney’s animation business by brokering a deal that led to the acquisition of Pixar. Iger also developed strategies to expand existing markets and identify new markets for Disney franchises, first by targeting the 6-14 year-old girl market, then by targeting the 6-14 year-old boy market.

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## LESSON PLAN FOR VIDEO

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### Company Clips: Method – Healthy Home

#### *Segment Summary:*

*Cash-strapped startup companies generally do not spend a great deal of time and money on planning. Founders are so busy with the rudiments of business—finding customers and creating, manufacturing, and delivering the product—that they may even forget important things, like invoicing. Eric Lowry reinforces this notion in the opening of the second method video segment. Nonetheless, strategic planning is an important part of successful marketing. Listen closely to the segment, which introduces method’s CEO, Alastair Dorward, and gauge for yourself how much planning you think this innovative startup did before launching its brand.*

#### 1. Based on what you heard in the video, does Method have a marketing plan?

Founder Eric Lowry and CEO Alastair Dorward describe in detail the plan they put in place for marketing the method brand:

- a. Spend half their start-up funding on advertisement, half on production
- b. Develop a core target market
- c. Build a master brand
- d. Conduct a situational analysis
- e. Incorporate strong design elements
- f. Consider the importance of household safety and environmental protection
- g. Plans for pricing and distribution, such as partnerships with retail partners in the mass/grocery/club/and drugstore markets.

#### 2. Explain the elements that make up Method’s competitive advantage. Is it sustainable?

The elements that contribute to Method’s competitive advantage include their speed to market, unique product, and “fast fashion”—not having to produce for the “average consumer” but to a precisely targeted, premium sector of the market.

#### 3. What are the elements of Method’s marketing mix?

The elements of Method’s marketing mix include a unique and premium product, word-of-mouth of “influence users”, great PR, the opportunity to build a test store (something out of bounds to the competitors), strategic (premium) retail partnerships, and a price only about 30 cents more than the competitor’s.

#### 4. What are Method’s target market strategies and how does it use them in its operations?

Method’s target market strategy is to focus on the narrow demographic of young, environmentally aware Gen Xers, people with babies and young children, and perhaps baby boomers who are caring for an aging relative—a group of people who would be especially conscious of household safety and environmental concerns.

### Supplemental Exercise: Video Company Clips

These teaching notes can be assigned for students to prepare before class, in-class before watching the video, during class while watching the video, or after students watched the video.

During the viewing portion of the teaching notes, stop the tape 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 tape and have them think about the answer while viewing the segment. That way, students will be engaged in active viewing rather than passive viewing.

#### Pre-Class Prep for You:

- Preview the Company Clips video segment for Chapter 2. This exercise reviews concepts for LO1, LO2, LO5, LO7, and LO8.
- Review your lesson plan.
- 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.

#### Pre-Class Prep for Students:

- Have students familiarize themselves with the following terms and concepts: *competitive advantage, marketing mix, target market strategy, mission statement, product/service differentiation, strategic planning, and sustainable competitive advantage.*
- Have students review the company web site with those concepts in mind: <http://www.methodhome.com>

#### Video Review Exercise Activity

- Warm Up - Begin by asking students: “What is the goal of strategic planning?” [on the board, write “*long-term profitability and growth*”]
- In-Class Preview
  - Segue into a discussion of the elements that make up a *marketing plan*. Copy *Exhibit 2.1* onto the board. Briefly explain each of the elements as you write them if students have not become familiar with them from previous reading.
  - Remind students to keep the marketing plan elements in mind as they review the video.
  - Compare the concepts of market strategy and market mix. Ask students to predict method’s target market strategy from what they learned in the first video.
  - Review the *Company Clips* questions above and make sure students are prepared to answer them after viewing the video.
- Follow-up
  - Send students back to method’s Web site at <http://www.methodhome.com>. Have students write a brief paragraph about how method’s Web site identifies its target market segment.
  - Have students break into groups of up to four students and have each group write a mission statement for method. When students finish, discuss how the mission statement supports method’s marketing plan.
  - Ask: “*How can method 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.

### Supplemental Exercise: Class Activity Marketing Strategy Analysis

Divide the class into small groups of 4-5 people to answer the following questions. 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 these 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?

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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?

**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 (WSJ, BW, Fortune, etc.) Find something about a company or industry, which discusses topics in your marketing text

The objectives of these reports are:

- (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 that 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'll be distributed to see when the class dates with your number come due. We will discuss these articles during the week. Expect to be called upon to discuss your report; You must be prepared to hand in your assignment when requested.

*Format*

Reports are to be typed, double spaced on 2 (MAXIMUM) sheets of 8 ½" x 11" paper, stapled together, with no plastic bindings.

Please follow this format: Heading, I. Introduction, II. Environment, III. Marketing Mix Variables, IV. Questions.

Top of Page:

Your name, group number

Class

Use the following citation format:

Author's last name, first name, "Title of the article," in Periodical,

(dates), page numbers.

Section Headings:

**I. Introduction:** (3 paragraphs)

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 3 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.

**IV. Presentation**

Summarize the report in class.

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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 student 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 student to think about or remember some specific situation in their experience to which they can apply the text material, and a question or questions for them to address in their reply.

The following example is for Chapter 2. 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 on pages 48-49 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.

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**Martha E. Hardesty, The College of St. Catherine**

BUYING AN EDUCATION: THE 4P'S ON DAY ONE

Students enrolled in my 2-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

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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 4 P's 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 4 P's and to recognize the influence of competition on managing the marketing mix. They begin to explore the complexities of market segmentation and their 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.

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**Paul LeMay Burr, University of Incarnate Word**

**Richard M. Burr, Trinity University**

#### **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 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 800 number. Students can then follow steps described in 3-9 below:
3. Search the company's web site for annual and quarterly reports, plus press releases of strategic decisions. Be aware of key-word search opportunities at the company web site.
4. Search Compact Disclosure, on CD Rom, for annual and quarterly reports and elements of 10K and 10Q reports of over 12,000 corporations.
5. 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.
6. 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.
7. Study page B-2 of the M-F 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.
8. Search ABI/Inform, a database of over 1000 publications that allows key word subjects, and is updated monthly. The web site is updated daily.
9. Analyze Hoover's Handbook of American Business, which profiles publicly traded companies, listing information, which might be found elsewhere.
10. Finally, give students specific heading areas to look for in their analysis of firm's strategy: 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.

**MARKETING MIX REPORTS**

One of the most helpful projects I've ever assigned in Principles of Marketing, are 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. 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 if there is enough marketing information readily available on the good or service. I put the brand name of the product they have chosen on the seating chart next to their name, 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 4 P's the student has to prepare a report, which is handled in or presented 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.