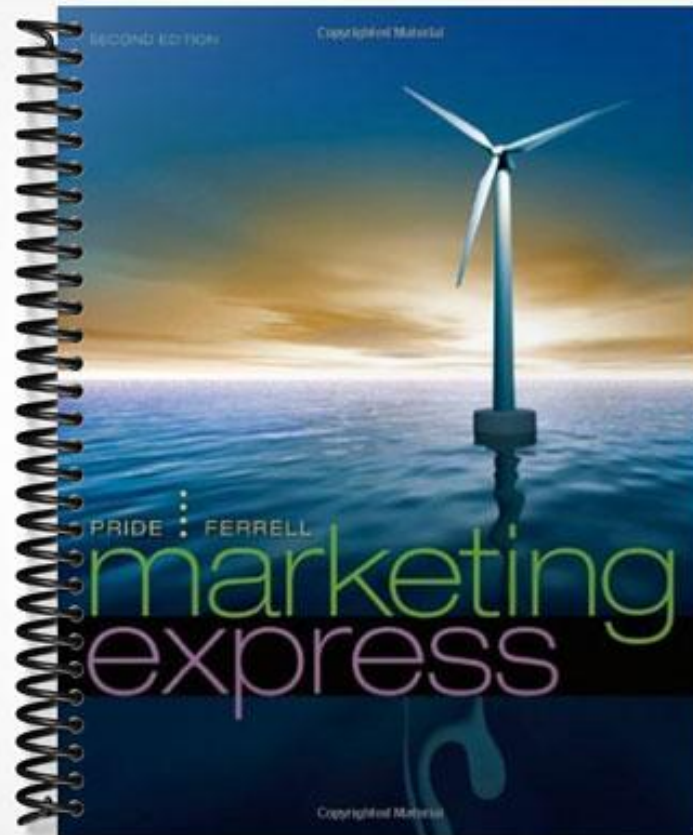


SOLUTIONS MANUAL



CHAPTER 2

Planning Marketing Strategies

TEACHING RESOURCES QUICK REFERENCE GUIDE

Resource	Location
Purpose and Perspective	Instructor's Manual
Lecture Outline	Instructor's Manual
Discussion Starters	Instructor's Manual
Class Exercises	Instructor's Manual
Chapter Quiz	Instructor's Manual
Answers to Issues for Discussion and Review	Instructor's Manual
Comments on the Video Case	Instructor's Manual
Interactive Marketing Plan	Companion website
Examination Questions: Essay	Testing CD
Examination Questions: Multiple-Choice	Testing CD
Examination Questions: True-False	Testing CD
PowerPoint Slides	Companion website
Chapter-specific video segment	DVD

Note: Web resources may be found on the accompanying student and instructor websites at www.cengage.com/marketing/pride-ferrell

PURPOSE AND PERSPECTIVE

This chapter focuses on strategic planning. To help students understand how marketing activities fit into the “big picture,” we begin this chapter with an overview of the strategic planning process. Next, we examine how organizational resources and opportunities affect strategic planning and the role played by the organization’s mission statement. After discussing the development of both corporate and business-unit strategy, we explore the nature of marketing strategy and the creation of the marketing plan. Finally, we examine the implementation of marketing strategies, the organization of the marketing unit, and the marketing control process.

LECTURE OUTLINE

I. UNDERSTANDING THE STRATEGIC PLANNING PROCESS

- A. Through the process of *strategic planning*, a firm establishes an organizational mission and goals, corporate strategy, marketing objectives, marketing strategy, and, finally, a marketing plan.
 1. The process begins with a detailed analysis of the organization’s strengths and weaknesses and identification of opportunities and threats within the marketing environment.
 2. Based on this analysis, the firm can establish or revise its mission and goals, and then develop corporate strategies to achieve these goals.

3. Next, each functional area of the organization, including marketing, production, finance, and human resources establishes its own objectives and develops strategies to achieve them.
 4. In the marketing area, marketing objectives should be designed so that their achievement will contribute to the corporate strategy and so that they can be accomplished through efficient use of the firm's resources.
 5. To achieve its marketing objectives, an organization must develop a *marketing strategy*, which includes identifying and analyzing a target market and developing a marketing mix to satisfy individuals in that market.
- B. The strategic planning process ultimately yields a marketing strategy that is the framework for a *marketing plan*, which is a written document that specifies the activities to be performed to implement and control an organization's marketing activities.
- II. **ASSESSING ORGANIZATIONAL RESOURCES AND OPPORTUNITIES**
- A. The strategic planning process begins with an analysis of the marketing environment. Economic, competitive, political, legal and regulatory, technological, and sociocultural forces can constrain an organization and influence its overall goals; they can also create favorable opportunities.
- B. Any strategic planning effort must assess an organization's available financial and human resources and capabilities, as well as how the level of these resources is likely to change in the future.
1. Resources can also include goodwill, reputation, and brand names.
 2. Resources also include *core competencies*—things a firm does extremely well which sometimes give a company an advantage over its competition.
- C. Analysis of the marketing environment also involves identification of opportunities in the marketplace.
1. When the right combination of circumstances and timing permits an organization to take action to reach a particular target market, a *market opportunity* exists.
 2. *Strategic windows* are periods of time during which there is an optimum fit between the key requirements of a market and the particular capabilities of a firm competing in that market.
- D. When a company matches a core competency to opportunities it has discovered in the marketplace, it is said to have a *competitive advantage*.
- E. **SWOT Analysis**
- One tool marketers use to assess an organization's strengths, weaknesses, opportunities, and threats is the *SWOT analysis*.
1. Strengths and weaknesses are internal factors that can influence an organization's ability to satisfy its target markets.
 - a) "Strengths" refer to competitive advantages or core competencies that give the organization an advantage in meeting the needs of its target markets.
 - b) "Weaknesses" refer to any limitations that a company faces in developing or implementing a marketing strategy.
 - c) Both strengths and weaknesses should be examined from a customer perspective because they are meaningful only when they help or hinder the organization in meeting customer needs.
 2. Opportunities and threats exist independently of the organization and therefore represent issues to be considered by all organizations, even those that are not competitors.
 - a) "Opportunities" refer to favorable conditions in the environment that could produce rewards for the organization if acted upon properly.
 - b) "Threats" refer to conditions or barriers that may prevent the organization from reaching its objectives.

3. When an organization matches internal strengths to external opportunities, it creates competitive advantages in meeting the needs of its customers.
4. Companies should also act to convert internal weaknesses into strengths and external threats into opportunities.

III. ESTABLISHING AN ORGANIZATIONAL MISSION AND GOALS

- A. The goals of any organization should be derived from its *mission statement*, which is a long-term view, or vision, of what the organization wants to become. An organization's mission really answers two questions:
 1. Who are our customers?
 2. What is our core competency?
- B. Mission goals and objectives must be properly implemented to achieve and communicate the desired "corporate identity"—a company's unique symbols, personalities, and philosophies.
- C. An organization's goals and objectives, derived from its mission statement, guide the remainder of its planning efforts.
 1. Goals focus on the end results sought by the organization.
 2. A *marketing objective* states what is to be accomplished through marketing activities.
 - a) Marketing objectives should be based on a careful study of the SWOT analysis and should relate matching strengths to opportunities and/or convert weaknesses and threats.
 - b) Marketing objectives should
 - (1) be expressed in clear, simple terms so that all marketing personnel understand exactly what they are trying to achieve.
 - (2) be written so that they can be accurately measured.
 - (3) specify a time frame for accomplishment.
 - (4) be consistent with both business-unit and corporate strategy.

IV. DEVELOPING CORPORATE, BUSINESS-UNIT, AND MARKETING STRATEGIES

In any organization, strategic planning begins at the corporate level and proceeds from there to the business-unit and marketing levels; each level of strategy should be consistent with the previous level.

A. Corporate Strategy

1. *Corporate strategy* determines the means for utilizing resources in the functional areas of marketing, production, finance, research and development (R&D), and human resources to reach the organization's goals.
 - a) Corporate strategy determines not only the scope of the business, but also its resource deployment, competitive advantages, and overall coordination of functional areas.
 - b) Corporate strategy is used by all organizations, not just corporations.
2. Corporate strategy planners are concerned with broad issues such as corporate culture, competition, differentiation, diversification, interrelationships between business units, and environmental and social issues.
 - a) Strategy planners attempt to match the resources of the organization with the opportunities and threats in the environment.
 - b) They are also concerned with defining the scope and role of the organization's business units so the units coordinate efforts to reach the desired ends.

B. Business-Unit Strategy

The next step in strategic planning is to determine future business directions and develop strategies for individual business units.

1. A *strategic business unit (SBU)* is a division, product line, or other profit center within the parent company. Strategic planners should recognize the strategic performance capabilities of each SBU and carefully allocate resources among the divisions.

2. Several tools allow an organization's portfolio of strategic business units, or even individual products, to be classified and visually displayed according to the attractiveness of various markets and the business's relative market share within those markets.
 - a) A *market* is a group of individuals and/or organizations that have needs for products in a product class and have the ability, willingness, and authority to purchase these products.
 - b) The percentage of a market which actually buys a specific product from a specific company is referred to as that product's (or business unit's) *market share*.
3. The *market-growth/market-share matrix*, the Boston Consulting Group (BCG) approach, is based on the philosophy that a product's market growth rate and its market share are important considerations in determining its marketing strategy.
 - a) All the organization's SBUs and products should be integrated into a single, overall matrix and evaluated to determine appropriate strategies for individual products and overall portfolio strategies.
 - b) Managers can use this model to determine and classify each product's expected future cash contributions and future cash requirements.
 - c) Figure 2.5, based on work by the BCG, classifies an organization's products into four basic types:
 - (1) "Stars" have a dominant share of the market and good prospects for growth; they use more cash than they generate to finance growth, add capacity, and increase market share. Example: Apple's iPod
 - (2) "Cash cows" have a dominant share of the market but low prospects for growth; typically they generate more cash than is required to maintain market share. Example: Procter & Gamble's Bounty paper towels
 - (3) "Dogs" have a subordinate share of the market and low prospects for growth; these products are often found in established markets. Example: General Motors' (now defunct) Oldsmobile brand
 - (4) "Question marks," sometimes called "problem children," have a small share of a growing market and generally require a large amount of cash to build market share. Example: Mercedes mountain bikes
 - d) The long-term health of an organization depends on having some products that generate cash (and provide acceptable profits) and others that use cash to support growth.

C. Marketing Strategy

1. The next phase in strategic planning is the development of strategies for each functional area of the organization.
 - a) Corporate strategy and marketing strategy must balance and synchronize the organization's mission and goals with stakeholder relationships.
 - b) An effective marketing strategy must gain the support of key stakeholders.
2. Within the marketing area, a strategy is typically designed around two components: (1) the selection of a target market and (2) the creation of a marketing mix that will satisfy the needs of the chosen target market.
3. **Target Market Selection**
 - a) The target market has to be chosen before the organization can adapt its marketing mix to meet this market's needs and preferences.
 - (1) Should a company select the wrong target market, all other marketing decisions will be in vain.
 - (2) Identification and analysis of a target market provide a foundation on which a marketing mix can be developed.
 - b) When exploring possible target markets, marketing managers try to evaluate how entering them would affect the company's sales, costs, and profits.

- c) Marketers should also assess whether the company has the resources to develop the right mix of product, price, promotion, and distribution to meet the needs of a particular target market.
- 4. **Creating the Marketing Mix**
 - a) The decisions made in creating a marketing mix are only as good as the organization's understandings of the target market.
 - (1) This understanding typically comes from careful, in-depth research into the characteristics of the target market.
 - (2) While demographic information is important, the organization should also analyze customer needs, preferences, and behavior with respect to product design, pricing, distribution, and promotion.
 - b) Marketing mix decisions should also have two other characteristics:
 - (1) All marketing mix decisions should be consistent with the business-unit and corporate strategies; this allows the organization to achieve its objectives on all three planning levels.
 - (2) All marketing mix decisions should be flexible to permit the organization to alter its marketing mix in response to changes in market conditions, competition, and customer needs.
 - c) It is at the marketing mix level that an organization details how it will achieve a competitive advantage.
 - d) It is important that the organization attempt to make this advantage sustainable. A *sustainable competitive advantage* is one that cannot be copied by the competition.

V. CREATING THE MARKETING PLAN

- A. A major concern in the strategic planning process is *marketing planning*, the systematic process of assessing marketing opportunities and resources, determining marketing objectives, defining marketing strategies, and establishing guidelines for implementation and control of the marketing program.
- B. The outcome of this process is the development of a marketing plan, a written document that outlines and explains all the activities necessary to implement marketing strategies.
 - 1. It describes the firm's current position or situation, establishes marketing objectives for the product or product group, and specifies how the organization will attempt to achieve these objectives.
 - 2. Developing a clear, well-written plan, though time consuming, is important.
 - a) It is the basis for internal communication among employees.
 - b) It covers the assignment of responsibilities and tasks, as well as schedules for implementation.
 - c) It presents objectives and specifies how resources are to be allocated to achieve these objectives.
 - d) It helps marketing managers monitor and evaluate the performance of a marketing strategy.
 - 3. Organizations use many different formats when devising marketing plans, which may be written for strategic business units, product lines, individual products or brands, or specific markets. Most plans share some common components, as shown in Table 2.1.

VI. IMPLEMENTING MARKETING STRATEGIES

- A. *Marketing implementation* is the process of putting marketing strategies into action.
 - 1. Although implementation is often neglected in favor of strategic planning, the implementation process itself can determine whether a marketing strategy succeeds.
 - 2. Marketing strategies almost always turn out differently than expected. In essence, organizations have two types of strategy.
 - a) *Intended strategy* is the strategy the organization decided on during the planning phase and wants to use.

- b) *Realized strategy* is the strategy that actually takes place. It comes about during the process of implementing the intended strategy.
3. **Customer Relationship Management (CRM)**
- a) Focuses on using information about customers to create marketing strategies which develop and sustain desirable long-term customer relationships.
 - c) CRM strives to build satisfying exchange relationships between buyers and sellers by catching useful data at all customer-contact points.
 - d) CRM technologies enable marketers to identify specific customers, establish interactive dialogues with them to learn about their needs and combine this information with purchase histories to customize products to meet those needs.
 - e) The emphasis shifts from share of market to *share of customer*.
 - f) The goal is to assess the worth of individual customers and thus estimate their lifetime value to the organization – *customer lifetime value (CLV)*.
 - (1) CLV forecasts a customer’s lifetime economic contribution based on continued relationship-marketing efforts.
 - (2) CLV is calculated by taking the sum of the customer’s present value contributions to profit margins over a specific timeframe.
 - g) Knowing CLV can help marketers determine how best to allocate resources to marketing strategies in order to sustain customers throughout their lifetimes
- B. **Approaches to Marketing Implementation**
1. **Internal Marketing**
- a) Organizations effectively have two sets of customers:
 - (1) *External customers* are the individuals who patronize a business.
 - (2) *Internal customers* are the employees who work for a company.
 - (3) The needs of both sets of customers must be satisfied through marketing activities if implementation is to be successful.
 - b) *Internal marketing* is a management philosophy that coordinates internal exchanges between the organization and its employees to achieve successful external exchanges between the organization and its customers.
 - c) Internal marketing refers to the managerial actions necessary to make all members of the marketing organization understand and accept their roles in implementing the marketing strategy.
 - d) Internal marketing may involve market segmentation, product development, research, distribution, and public relations and sales promotion.
2. **Total Quality Management**
- Total quality management (TQM)* is a philosophy which emphasizes uniform commitment to quality in all areas of the organization to promote a culture that meets customers’ perceptions of quality.
- a) TQM requires coordinating efforts to improve customer satisfaction, increasing employee participation and empowerment, forming and strengthening supplier partnerships, and facilitating an organizational culture of continuous quality improvement.
 - b) Continuous quality improvement is based on the concept that quality is free and must be built within the product design from inception.
 - (1) An important tool of TQM is *benchmarking*, the measuring and evaluating of the quality of an organization’s goods, services, or processes as compared with the best-performing companies in the industry.
 - (2) *Empowerment*, another tool, gives customer-contact employees the authority and responsibility to make marketing decisions without seeking the approval of their supervisors.

C. Organizing Marketing Activities

1. Firms which truly adopt the marketing concept develop a distinct organizational culture—a culture based on a shared set of beliefs which make the customer’s needs the pivotal point of the organization’s strategic and operational decisions.
2. If the marketing concept serves as a guiding philosophy, the marketing unit will be closely coordinated with other functional areas such as production, finance, and human resources.
3. The organizational structure of a marketing department establishes the authority relationships among marketing personnel and specifies who is responsible for making certain decisions and performing particular activities.
 - a) A *centralized organization* is one in which the top-level managers delegate very little authority to lower levels of the organization.
 - b) A *decentralized organization* delegates authority as far down the chain of command as possible.
4. There is no single best approach to organizing the marketing unit; the best approach(es) depends on the number and diversity of the firm’s products, the characteristics and needs of the people in the target market, as well as other factors.
5. A marketing unit may be organized according to functions, products, regions, or types of customers; it may also be organized using a combination of these approaches.
 - a) **Organizing by Functions**
 - (1) Some marketing departments are organized by general marketing functions, such as marketing research, product development, distribution, sales, advertising, and customer relations.
 - (2) The functional structure is fairly common because it works well for some businesses with centralized marketing operations; however, it may cause serious coordination problems in more decentralized organizations.
 - b) **Organizing by Products**
 - (1) Organizing by products is appropriate for organizations which produce and market diverse products.
 - (2) This structure gives a firm the flexibility to develop special marketing mixes for different products.
 - (3) Although this approach is flexible, it is also rather expensive unless efficient categories of products are grouped together to reduce duplication and improve coordination of product management.
 - c) **Organizing by Regions**
 - (1) Organizing by regions is appropriate for large firms that nationally or internationally market products.
 - (2) This structure is effective for firms with highly variable customer characteristics between regions.
 - d) **Organizing by Types of Customers**
Organizing by types of customers is appropriate for a firm that has several groups of customers whose needs and problems differ significantly.

D. Controlling Marketing Activities

The formal *marketing control process* includes the establishment of performance standards, evaluation of actual performance by comparing it with established standards, and reduction of differences between desired and actual performance.

1. **Establishing Performance Standards**
 - a) Planning and controlling are closely linked because plans include statements about desired accomplishments.
 - b) A *performance standard* is an expected level of performance against which actual performance can be compared.

- c) Performance standards are to be tied to organizational goals.
- 2. **Evaluating Actual Performance**
 - a) Marketing managers must have knowledge about employee activities and the activities of external organizations which provide marketing assistance.
 - b) Records of actual performance are compared with performance standards to determine the extent of performance-related discrepancies.
- 3. **Taking Corrective Action**
 - a) Marketing managers have several options for reducing a discrepancy between performance standards and actual performance:
 - (1) Improve actual performance
 - (2) Reduce or change the performance standard
 - (3) Both 1 and 2
 - b) Improving performance may require better methods of motivating marketing personnel or more effective techniques for coordinating marketing efforts.
- 4. **Problems in Controlling Marketing Activities**
 - a) The information required to control marketing activities may be unavailable or available only at a high cost.
 - b) The frequency, intensity, and unpredictability of environmental changes may hamper control.
 - c) The time lag between marketing activities and the activities' results limits the ability to measure the effectiveness of specific marketing activities.
 - d) Because marketing and other business activities overlap, marketing managers cannot determine the precise cost of marketing activities, which makes it difficult to know if the outcome of marketing activities is worth the expense.
 - e) It is very hard to develop exact performance standards for marketing personnel.

DISCUSSION STARTERS

Discussion Starter 1: Identifying Core Competencies

ASK: *What do you think are McDonald's core competencies?*

Many students will focus on food, but the key to McDonald's success is a focus on consistency.

ASK: *How many of you have eaten in McDonald's in other countries? What was similar to the local McDonald's?*

McDonald's goal is to have consistent product, service and environment throughout the world. This consistency gives the consumer confidence that the purchase will meet expectation. The other competency McDonald's possesses is the ability to identify local menu items which fit within McDonald's offerings.

Exercise Extender: Visit www.aboutmcdonalds.com/country/map.html and visit a number of international sites. Discuss with the students the similarities and the differences between the sites. This will bring the discussion of McDonald's core competencies to life.

Discussion Starter 2: Marketing in Transition: Guitar Hero Makes You a Rock Star

The following ad campaign was created by Guitar Hero. They are using different spokespeople to reach their audience. They use famous athletes, coaches, a well known model/actress (Heidi Klum), and even the band (Metallica) they created a new game for. Show the 3 clips and have the students discuss them.

<http://www.youtube.com/watch?v=8LWhV-Wr-RM&feature=channel> (Coaches)

<http://www.youtube.com/watch?v=rcPhzCXewLo> (Athletes)

<http://www.youtube.com/watch?v=nU9rgzKdrEE> (Heidi Klum)

<http://www.youtube.com/watch?v=nDpzpKHxmV0> (The Beatles)

ASK: *Do you believe having famous spokespeople in advertisements helps to sell products?*

Discussion Starter 3: Mission statement:

Show link of Ben and Jerry's Social, Product, and Economic mission statements. Also show link of New Belgium Brewery.

<http://www.benjerry.com/activism/mission-statement/>

<http://www.newbelgium.com/our-story>

Mission statements are important because they act as a compass to lead the company in the right direction. The book highlights Johnson & Johnson's mission on page 30.

ASK: *What companies students can think of that are unique/different?*

Then, seek out these companies' websites to learn readily accessible their mission statements are.

Discussion Starter 4: Marketing Entrepreneurs: Crocs

ASK: *How can organizations take a product designed for a narrowly tailored market and give it mass market appeal?*

Visit the website for <http://www.crocs.com/> and look at the evolution of the brand from its simple design. Talk about the unique product attributes which made it feasible for mass market (Product specifics are contained in the chapter's opening vignette.)

ASK: *What do you think of Crocs?*

Anytime you have a very unique product you are going to get a wide range of opinions. The YouTube video available at the following web address is part of a series in which the creators present a variety of ways to destroy Crocs.

<http://www.youtube.com/watch?v=Cqs23m0du0U&feature=related>

ASK: *Are these types of videos harmful to the Crocs brand?*

The essence of this discussion is whether or not the old adage "any publicity is good publicity" is true? The focus of this chapter is on planning so the key is to understand how to take these negatives and make them a positive. Often criticism of a brand serves to strengthen the bond between the user and the brand.

Think about Apple and how the criticism of the brand being different actually served as a unifier for brand users.

Discussion Starter 5: Internal Marketing

ASK: *How many of you work for firms which have internal marketing efforts?*

Many of the students will work for firms that offer programs and benefits designed to bond the employees to the brand, similar to the Starbuck's example in the text. For example, banks such as Bank of America offer employees access to websites that provide discounts.

ASK: *Why is internal marketing so important?*

In order to reach the new generation of workers many firms are turning to their own media. An excellent example is Ernst and Young's use of Facebook. Originally targeted at recruits, this initiative now serves employees as well as alumni and bonds the individuals within the organization together. The following link connects to an article describing this initiative:

http://www.collegerecruiter.com/weblog/2007/01/ernst_young_bec.php

(Note: If you have a Facebook account you may want to visit the site in class and review the types of discussions on the website. Once again, be careful to screen what is viewed in class as there may be objectionable information on many sites.)

ASK: *Do you think these efforts will be successful? Should other firms use this same technique as part of their internal marketing efforts?*

CLASS EXERCISES

Class Exercise 1: Campus Specific University Mission Statements

(Note: If computer access is not available during class you will need to provide students the university mission statement.

Step One: Begin by analyzing the mission statement for your university.

Step Two: Identify campus activities consistent with the mission statement.

Step Three: Identify the core competencies of the university.

Step Four: List any marketing activities consistent with the mission statement.

Class Exercise 2: Students conduct their own personal SWOT Analysis on Strengths, Weaknesses, Opportunities, and Threats related to their getting a great job when they graduate

1. Ask each student at the beginning of class to silently generate a SWOT Analysis of their Strengths, Weaknesses, Opportunities, and Threats for getting a great job when they graduate. In other words, have

them write in bullet style, 3 strengths they have, 3 weaknesses they have, 3 opportunities they see, and 3 threats on the horizon they see that may impact their getting a great job after college. Please see **Figure 2.2** in the text on page 29 for matching strengths to opportunities and converting weaknesses to strengths and threats to opportunities. Most importantly of all, ask each student to put an asterisk in the SWOT quadrant they believe is most important and why. This silent composition should take approximately 5 to 10 minutes and is a great aid to all instructors who could again benefit from having an extra 5 to 10 minutes to set up the classroom technology, double check the roster, or do final preparations for class. *Special note: this silent generation of customer service experiences is great for early semester classroom control purposes as well as providing a vehicle for the students to ratchet up their involvement in the classroom material.*

Note: After the students have handed in their work or verbalized their asterisk placement, do a frequency count on each of the 4 quadrants related to ones students believe are most important. Then write the following test question:

According to the SWOT analysis data generated and discussed in class, the quadrant that was deemed to be the most important by our class was _____ and the quadrant deemed to be the least important was _____.

- A) opportunities; threats
- B) strengths; threats
- C) strengths; weaknesses
- D) weaknesses; threats
- E) threats; opportunities

(Hopefully it was found by students that either strengths or opportunities are most important and weaknesses are least important.)

Class Exercise 3: Class Mission Statement

A mission statement provides a long-term view, or vision, about what the organization wants to become. It serves as the orienting point for the organization's goals and objectives.

In this exercise you will develop a mission statement for your class.

Step One: Begin by identifying customers' needs and wants.

Step Two: Identify key elements that must be in the class mission statement.

Step Three: Write a mission statement for the class.

Choose one member of the group to report the group's activities to the class.

Note: After this exercise the instructor should combine elements from the various mission statements and define a single mission statement for the class.

CHAPTER QUIZ

Answers are: 1. a; 2. e; 3. b; 4. c.

Chapter Quiz

1. An organization's business goals should be derived from its
 - a. mission statement.
 - b. marketing plan.
 - c. strategic plan.
 - d. marketing strategy.
 - e. strategic business plan.

2. Starbucks provides training and support to its employees, including health care benefits. Through these _____ efforts Starbucks is better able to deliver quality products to its customers.
 - a. internal management marketing
 - b. extended marketing
 - c. intended marketing
 - d. external
 - e. internal marketing

3. The reputation and well-known brand name of Rolex watches represents a _____ for Rolex.
 - a. competitive advantage
 - b. strategic window
 - c. core competency
 - d. pricing strategy
 - e. market opportunity

4. The percentage of a company's specific product relative to total industry sales of that product is called
 - a. strategic segment
 - b. market cut
 - c. target market
 - d. market position
 - e. market share

ANSWERS TO ISSUES FOR DISCUSSION AND REVIEW

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

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

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

The two major parts of a marketing strategy are identifying and analyzing a target market and developing a marketing mix to satisfy individuals within that market.

3. **What are some issues to consider in analyzing a firm's resources and opportunities? How do these issues affect marketing objectives and marketing strategy?**

The strategic planning process begins with an analysis of the marketing environment, including economic, competitive, political, legal and regulatory, technological, and socio-cultural forces. The process must also include an assessment of an organization's available financial and human resources and capabilities, as well as how the level of these resources is likely to change. These analyses help the firm pinpoint its core competencies and identify market opportunities which the organization can exploit through carefully crafted marketing strategies.

4. **How important is the SWOT analysis to the marketing planning process?**

A SWOT analysis outlines the internal strengths and weaknesses of a firm and the external opportunities and threats. This information can be used to develop appropriate strategies for converting weaknesses into strengths, threats into opportunities, and to match strengths to opportunities.

5. **How should organizations set marketing objectives?**

Marketing objectives must be consistent with the organization's goals. They should be written so that they are clear and measurable, and should state what is to be accomplished in what time frame.

6. **Explain how an organization can create a competitive advantage at the corporate, business-unit, and marketing strategy levels.**

A competitive advantage exists when an organization matches its core competency to opportunities it has discovered in the marketplace. One way a firm can achieve a competitive advantage at the corporate level is through corporate mergers. The talents and abilities one corporation possesses can be combined with different competencies of another organization, to be matched to opportunities in the marketplace. At the business-unit level, a competitive advantage can be developed by intensifying growth in those products or services which a company has mastered and which also has great customer-market potential. A competitive advantage would also be created when a company has the foresight to diversify into other markets and/or products which capitalize on existing skills and knowledge. At the marketing strategy level, a competitive advantage can be created by careful analysis of customers and their needs then selecting the appropriate target market. The selection of the target market should meet an anticipated customer need and also be appropriate for the organization's core competencies.

7. **Refer to question 6. How can an organization make its competitive advantages sustainable over time? How difficult is it to create sustainable competitive advantages?**

A sustainable competitive advantage is one that cannot be copied by competitors. A sustainable advantage is developed by capitalizing on a firm's strengths and developing an expertise in an area that cannot be copied by the competition. Rather than attempting to be all things to all customers, a firm might choose a specific area of concentration and focus on becoming the best in that area. The degree of difficulty in maintaining a sustainable competitive advantage depends on the specific area of expertise and the ease of entry by the competitor. For example, store location is one sustainable competitive advantage which may present some degree of difficulty for a competitor to challenge. However, a sustainable competitive advantage of lowest price may be readily copied by the competition.

8. **What benefits do marketing managers gain from planning? Is planning necessary for long-run survival? Why or why not?**

Planning helps marketing managers define their strategy in light of resources and opportunities. Planning forces the marketing manager to determine the difference between objectives and current performance. Specifying expected results, identifying the resources needed, describing the activities, and monitoring the activities allow the organization to achieve its long-term goals and survive.

9. **Why does an organization's intended strategy often differ from its realized strategy?**

There are several possibilities for explaining why the intended strategy, developed in the planning phase, often is not implemented exactly as planned. Because the environment is constantly changing, the intended strategy must also change. Therefore, it becomes the realized strategy—the strategy which actually gets implemented. Another reason the intended strategy differs from the realized strategy is that managers often develop the intended strategy separately from the plans for its implementation; therefore, it may not work the way they envisioned, due to changes required for actual operation.

10. **Why might an organization use multiple bases for organizing its marketing unit?**

Product features may dictate that the marketing unit be structured by product, and customer characteristics may require the unit be organized by region or customer type. The use of multiple bases allows the organization to acquire the benefits from several approaches. The primary benefit is flexibility.

11. **What are the major steps of the marketing control process?**

The major steps in the marketing control process are a) establishing performance standards, b) evaluating actual performance by comparing it with performance standards, and c) reducing the differences between desired and actual performance.

ANSWERS TO DEVELOPING YOUR MARKETING PLAN

1. In answering this question, students will have to identify the core competencies of the company the selected. As an example, Walmart's core competencies include world-class efficiency in supply chain management, an extensive distribution system, and a strong reputation for delivering low prices. Next, students will be required to state whether their identified core competencies

contribute to a competitive advantage for their selected company. In the example of Walmart, the answer would be yes.

2. In order to answer this question, students are required to provide a SWOT analysis of their selected company. Embedded in this answer, students will be required to clearly identify their company's strengths and weaknesses as well as discussing any opportunities or threats their company may face.
3. In answering this question, students are required to discuss whether they have identified any opportunities that are a good match for their company's core competencies. Finally, students are required to discuss whether they discovered any weaknesses that could be converted to strengths through careful market planning.

COMMENTS ON THE VIDEO CASE



CASE 2 GREEN MOUNTAIN COFFEE ROASTERS BREWS UP BEST MARKETING STRATEGY

This case gives students an opportunity to see how a smaller firm has implemented and controlled a smart strategy to grow while maintaining a reputation for quality and social responsibility.

The first question asks students to describe Green Mountain's marketing strategy. Students' responses may vary but should indicate an understanding of the concepts of marketing strategy. From the case, it would appear that Green Mountain's primary strategy is differentiating and reinforcing its brand and engendering a high degree of customer and consumer loyalty by offering high-quality coffee, good customer service and distribution, strong corporate governance, employee development, and engaging in socially responsible business practices.

Question two asks how Green Mountain uses implementation to achieve success in a very competitive market. Responses may vary but should express a basic understanding of strategy implementation. For example, many students may cite the firm's flat organizational structure, which places responsibility for implementation on every employee, its empowered employees, and its very open channels of communication which encourages collaboration and employees to speak their minds.

The third question asks students to explain how empowerment works at Green Mountain. The case suggests that empowerment at Green Mountain appears chaotic but it seems to foster collaboration, consensus, and expression of individual ideas. These factors may help explain the relatively small organization's success in a market dominated by larger firms such as Starbucks.