

**SOLUTIONS MANUAL**



MARKETING  
MANAGEMENT IN  
CHINA 

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# Chapter 2 – Examining the Infrastructure for Marketing

## Management

### I. Learning Objectives

After reading this chapter, students should:

- ❑ Know the components of a marketing management system
- ❑ Know how strategic planning is carried out at different levels of the organization
- ❑ Know what constitutes good marketing research
- ❑ Know how marketers can improve marketing decisions through intelligence systems and marketing research systems

### II. Chapter Summary

The infrastructure for marketing management consists of some marketing management systems: Marketing Philosophy System, Marketing Strategic System, Marketing Information System, Marketing Integrated Tactical System, and Marketing Environment System.

Strategic planning occurs at four levels: the corporate level, division level, business unit level, and product level.

At the corporate level, planning includes defining the mission; establishing strategic business units (SBUs); assigning resources to each SBU; and assessing growth opportunities. The company's structures, policies, and corporate culture can all affect strategic planning and implementation.

At the business unit level, strategic planning covers the business mission; SWOT analysis; goal, strategy, and program formulation; implementation; and feedback and control. Each product or brand needs a marketing plan—a written document summarizing what is known about the marketplace and how the marketing objectives will be achieved.

A marketing information system (MIS) consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers.

An MIS has three components: (1) an internal records system which includes information on the order-to-payment cycle and sales information systems; (2) a marketing intelligence system comprising a set of procedures and sources used by managers to obtain everyday information about pertinent developments in the marketing environment; and (3) a marketing research system that allows for the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation.

The marketing research process consists of: defining the problem, alternatives, and objectives; developing the research plan; collecting the information; analyzing the information; presenting the findings to management; and making the decision. In conducting research, firms must decide whether to collect primary data, secondary data, or both. They must also decide which research approach (observation, focus group, survey, behavioral data, or experiment) and which research instrument

(questionnaire, qualitative measure, or mechanical device) to use. In addition, they have to decide on a sampling plan and contact methods.

Companies can conduct their own marketing research or hire other firms to do it for them. One purpose of marketing research is to discover market opportunities which are then evaluated on the basis of sales forecasts of market and company demand. Companies start by defining the market based on the potential, available, target, and penetrated markets. Next, they estimate the market potential and prepare company demand estimates and sales forecasts.

### **III. Chapter Outline**

#### **I. Marketing Management Systems**

- A. Marketing Strategic System
- B. Marketing Integrated Tactical System
- C. Marketing Information System

#### **II. Developing Marketing Strategies**

- A. Core Competencies – three characteristics
  1. Source of competitive advantage as it makes a significant contribution to perceived customer benefits
  2. It has applications in a wide variety of markets
  3. It is difficult for competitors to imitate

- B. Corporate and Division Strategic Planning

Organizational levels: corporate, division, business unit, and product. Corporate sets guidelines for an entire enterprise, division creates plans and allocates funds for all business units within the division, business units are revenue producers and create plans to generate profits, product strategies are created within each business unit

1. Defining the corporate mission
  - a) What is our business? Who is the customer? What is of value to the customer? What will our business be? What should our business be?
  - b) Mission statements, based on limited goals, stress major policies and values, and define major competitive scopes for the firm
2. Establishing strategic business units
  - a) Three dimensions: customer groups, customer needs, and technology
  - b) The organization should be seen as a satisfier of needs rather than a producer of goods
  - c) Large companies manage different businesses, each requiring its own strategy
  - d) Business units can be defined in terms of customer groups served, customer needs, and technology. They have three characteristics:
    - (1) SBUs are a single business or collection of related businesses that can be planned separately from the rest of the organization
    - (2) SBUs have their own set of competitors
    - (3) SBUs have a manager or leader responsible for strategic planning and profit performance who controls most of the factors affecting profit

3. Assessing growth opportunities
    - a) Intensive growth (Ansoff matrix)
      - (1) Market penetration strategy - current products to current markets
      - (2) Market development strategy - current products to new markets
      - (3) Product development strategy - new products to current markets
    - b) Integrative growth - backward, forward, or horizontal integration
    - c) Diversification growth - new products to new markets. Three types are possible: concentric, horizontal, and conglomerate
  4. Organization and organizational culture
    - a) Organization consists of its structures, policies, and corporate culture
    - b) Corporate culture has been defined as “the shared experiences, stories, beliefs, and norms that characterize an organization”
    - c) Scenario analysis - developing plausible representations of a firm’s possible future that make different assumptions about forces driving the market and include different uncertainties
- C. Business Unit Strategic Planning
1. Business mission - SBUs’ specific mission within the broader company mission
  2. SWOT analysis
    - a) External environment analysis (opportunities and threats analysis)
      - (1) Macroenvironment forces/actors analysis - discerning new marketing opportunities
      - (2) Marketing opportunity analysis (MOA) - classified according to attractiveness and probability of success
      - (3) Environmental threat - challenge posed by an unfavorable external trend or development that would lead to lower sales or profit, in the absence of defensive marketing action
    - b) Internal environment analysis (strengths and weaknesses analysis)
  3. Goal formulation - establish objectives that are specific with respect to magnitude and time. To be effective, goals must be:
    - a) Arranged hierarchically
    - b) Stated quantitatively whenever possible
    - c) Realistic
    - d) Consistent
  4. Strategy formulation - the game plan for achieving the stated objectives
    - a) Three generic types of strategic thinking (Porter):
      - (1) Overall cost leadership: lower costs allow lower prices, which can lead to increased market share
      - (2) Differentiation
      - (3) Focus on specific market segment(s) and pursue cost leadership or differentiation strategies within the target segment
    - b) Operational effectiveness and strategy - based on strategic groups to achieve a distinctive market position
    - c) Strategic alliances
      - (1) In the form of marketing alliances - product or service, promotional, logistical, and pricing collaborations

- (2) Partnership relationship management - to complement or leverage existing marketing capabilities and resources
- 5. Program formulation and implementation
  - a) Develop detailed programs to support the strategy
  - b) Implementation - McKinsey 7-S framework
- 6. Feedback and control
  - a) Marketplace dynamics require organizations to track results and monitor new developments
  - b) Strategic fit with environment will erode as market changes faster than the organization's seven S's
- D. The Nature and Contents of a Marketing Plan
  - 1. A marketing plan is a written document that summarizes what the marketer has learned about the marketplace and how the firm plans to reach its marketing objectives
  - 2. Two levels
    - a) Strategic - laying out the target markets and the value proposition to be offered
    - b) Tactical - specifying the marketing programs and the financial allocations to be implemented over the planning period
  - 3. Marketing plan includes:
    - a) Executive summary and table of contents
    - b) Situation analysis - relevant background on sales, costs, profits, the market, competition, and macro environment
    - c) Marketing strategy and programs - mission, marketing, and financial objectives
    - d) Financial projections - sales and expense forecasts
    - e) Implementation controls

### **III. Marketing Information System**

- A. Marketing Intelligence System
  - 1. A set of procedures for managers to obtain everyday information about pertinent developments in the marketing environment
  - 2. Internal records system supplies "results" data, and the marketing intelligence system supplies "happenings" data
  - 3. Steps for improving marketing intelligence:
    - a) Train sales force to observe and report new developments
    - b) Motivate channel members and others to share intelligence
    - c) Collect competitive intelligence on rival products
    - d) Develop customer advisory panels
    - e) Purchase information from outside suppliers
    - f) Establish an internal marketing information center
- B. Marketing Research System
  - 1. Systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company

2. Suppliers of marketing research - can be achieved through an in-house department, an external marketing research firm, or a variety of other cost-efficient ways. An increasing amount of information is also available via the Internet
3. The marketing research process
  - a) Define the problem and research objectives
  - b) Develop the research plan - decide on data sources, research approaches, research instruments, sampling plan, and contact methods
    - (1) Data sources - primary and secondary data
    - (2) Research approaches
      - (a) Observational
      - (b) Focus group
      - (c) Survey research
      - (d) Behavioral data
      - (e) Experimental research
    - (3) Research instruments
      - (a) Questionnaires
      - (b) Qualitative measures
      - (c) Mechanical devices
    - (4) Sampling plan
      - (a) Sampling unit - who is to be surveyed?
      - (b) Sample size
      - (c) Sampling procedure
    - (5) Contact methods - mail, telephone, personal, and online
  - c) Collect the information - phase most expensive and prone to error
  - d) Analyze the information - extract pertinent findings from the collected data
  - e) Present the findings - pertinent to the major marketing decisions facing management
  - f) Make the decision

#### IV. Summary

#### IV. Opening Thought

For many students, one of the most challenging concepts of this chapter is the definition of strategy. As such, it will be beneficial for long-term understanding and retention to cover what the definition is and what it is not.

The second area of concern is the understanding of strategic versus tactical. Definitions can be confusing and are often taken for granted, so the instructor is encouraged to spend sufficient class time covering the distinctions between them.

Finally, this chapter contains a case analysis using the Marketing Plan Pro software that may present some difficulties to students unfamiliar with it. The objective for the inclusion of this software is to familiarize students with the many aspects of the marketing plan—not for them to become experts in the use of this specific software. The instructor should exercise discretion in emphasizing its usage.

Students new to the discipline of marketing will probably be surprised at the level of marketing information, intelligence, and arenas that marketing managers must operate within. The instructor is encouraged to stress that the marketing of products/services and the decision-making processes operate with careful consideration of the environments identified in this chapter. Today, marketers must be cognizant of how their product or service is perceived as much as its functions.

## V. Teaching Strategy and Class Organization

### PROJECTS

1. Semester-long project: continue with the formation of groups; first presentation of “product” to instructor for approval; review of process; and fixing a schedule of “due dates”.
2. Students should be encouraged to review the selected company’s annual reports to collect the corporations’ mission statements, strategy statements, and target market definitions. The collected material can be discussed in class to compare companies’ overall business, marketing, and customer strategies.
3. Semester-long marketing plan: competitive information and environmental scanning project(s) to be completed and presented for instructor’s review.

### ASSIGNMENTS

#### Small Group Assignments

1. Where possible, have the students visit the local H&M store as mentioned in the **opening vignette of the chapter**, or any similar trendy fashion retail outlet. Students should record their impressions of the store in relation to the company’s stated strategy or business concept: “To give the customer unbeatable value by offering fashion and quality at the best price”. Does the store offer value and quality at the best price? Why did your observations confirm or refute this?
2. Visit the website of any well-known Chinese marketing company. Does this company and its website demonstrate its three distinctive capabilities of market sensing, customer linking, and channel bonding to you? Why or why not?
3. Obesity is an increasingly noticeable trend in many fast-developing Asian countries including China, where affluence brings about sedentary lifestyles and over-indulgent diets. In small groups, have the students collect, from the university or college administrators, information about students’ eating (on-campus students would be one group; commuting students another group), exercise, and lifestyle habits. For example, how many students (as a percentage of the total student population) regularly take advantage of the exercise facilities? How many students presently on campus are clinically obese? This is a useful project to demonstrate the skill of data mining and the use of secondary data.
4. To illustrate the concept of marketing intelligence, select a different group of students to conduct similar research to Assignment 1 above but from universities and colleges of similar size. These findings should then be presented to the class as a comparison to findings prepared from the group(s) researching their own university or college. Challenge the students to suggest factors that differentiate the two studies and ways to reverse or to continue the trend.
5. To prepare a case study based on the following materials from Chapter 2 and to present this:

#### *Mini Case: H&M*

How does H&M catch consumer trends?

### Individual Assignments

1. Have students read Peter Doyle's Value-Based Marketing: Marketing Strategies for Corporate Growth and Shareholder Value (Chi Chester, England: John Wiley & Sons, 2000) and report on their findings in a written and/or oral presentation.
2. Select a local firm or have the students select firms with which they are familiar (e.g. current employers or past employers) and answer the questions posed by the Marketing Memo and Marketing Plan Criteria regarding the evaluation of a marketing plan. Ensure students are specific in their answers.

### Think-Pair-Share

1. Assign the three titles found in the Marketing Insight—**Becoming a Vigilant Organization** box, to three groups of students. Have each group read and prepare an oral report of what they learned from reading these books. They are to analyze whether the ideas and concepts of these books can or would be helpful to marketers in today's environment.
2. Direct groups to present their Pegasus Sports International marketing plan to the class. Nonpresenting groups should be ready to evaluate the accuracy of the numbers given, critique, refute, and/or debate the findings of the other groups. Each group presentation should be followed by a written report of their marketing plan.

## END-OF-CHAPTER SUPPORT

### MARKETING DEBATE

What is the Best Type of Marketing Research?

The best marketing research is quantitative in nature *versus* The best marketing research is qualitative in nature.

## VI. Case study

### 1. Marketing in China: Taobao (Alibaba)

- 1) Why can Taobao catch up with eBay in China's market?
- 2) If you were appointed CEO of eBay, what competing market strategies would you employ to convert its defeat into victory?

### 2. Chapter Case: Budweiser

- 1) What have been the key success factors for Anheuser-Busch?
- 2) Where is Anheuser-Busch vulnerable? What should it watch out for?



- 3) What recommendations would you make to senior marketing executives going forward?  
What should the company be sure to do with its marketing?

## **VII. Main Topic(s)**

### **A. “Marketing Research and Measurement”**

The focus in this discussion is the development of information for marketing management. It is important to keep the examples current so that students will be able to identify readily with this concept based on their general knowledge of the techniques, companies, and products.

#### ***Marketing in China: Challenges of Market Research in China***

1. Compared with the situation in a mature market, what are the main challenges of market research in China’s market?
2. How should a marketer deal with a marketing environment where market data is always insufficient?

### **Teaching Objectives**

- To learn about establishment of the role of marketing research and information systems in development of overall marketing strategies.
- To discuss and learn specific marketing research considerations and principles.
- To introduce some of the more important concepts in contemporary marketing research.

### **Discussion**

#### 1. Introduction

Marketing research and measurement long have been areas of great difficulty and opportunity for the marketer, not just because they provide more complex and precise responses, but also because training, analytical, and communication requirements are substantial. Measurement in some areas has been much easier than in others. For example, it is much more difficult to measure directly the results of advertising expenditures than to learn about the attitudes of prospective buyers toward a product or service. Between an advertisement and the actual purchase of goods or services there are lag effects, multiple distribution channels, and other intervening variables. With the exception of direct marketing, it is very difficult to relate marketing efforts directly to sales.

However, the other side of the equation relates to what we are able to do with an area of marketing research where there is more certainty. Marketers increasingly utilize marketing research to improve product and service value to current customers and to find new customers.

Marketing research is used in the contemporary environment to provide more information on the customer, the market, and the channels of distribution. Among the more important information is that which relates to

the factors influencing sales. This data can be collected in many ways, ranging from population sampling to one-on-one interviews and a range of options in between.

## 2. Purposeful Marketing Research

However, before we can do any of this we need to determine what we want to ask and why, and recognize that every marketing research tool has a different purpose. With all the new technologies available and some very sophisticated interpretation tools, the research and analysis process is much easier than it was just a few years ago. However, most managers still have difficulty in determining which tools are right for their needs, whether qualitative or quantitative information is more important, and which type of research technique will provide the best value for money.

Quantitative research deals with numbers and answers questions about how many, how much, or how often. Quantitative-oriented survey research generally relies on close-ended questions—questions that can be answered briefly, often with a “yes”, a “no”, or a number.

Qualitative research deals primarily with the feelings and attitudes that drive behaviors. Open-ended questions that cannot be answered in one word encourage respondents to describe their feelings, opinions, attitudes, and values.

In some situations, a telephone survey may be the best way to talk to consumers about the product, but in other situations, focus groups may provide a better result. One of the more important questions is whether the company can or should attempt to perform independent research or simply buy into a syndicated or omnibus study.

This choice is important because the cost in terms of time, money, and effort can throw the strategy and planning effort of the firm into the wrong gear or, worse yet, into the wrong direction. Further, if the firm is not entirely clear on the research needs and process, it must decide whether to use a professional researcher or pay for information from existing sources.

One of the best methods for getting good quantitative research data is to use scanner information. This information has become much more flexible and usable. Effective use of tools such as Behavior Scan and InfoScan, both products of Information Resources, Inc. (IRI) has added substantial depth to efforts to understand the buying process.

This is not project information, but rather it is available on a continuous weekly basis, usually contracted on a multiyear basis to provide sufficient information over a period. This powerful capability enables firms to micro-market effectively and plan to the individual store level. Data on the factors influencing product sales, such as client and competitor advertising, and other promotional activities, can be effectively assessed. In addition, the capability now exists to obtain information on a specific store or all the stores in a system, enabling not only enhanced data-checking capabilities but also rapid and effective comparisons at various local, regional, and national levels.

While such information by itself cannot provide predictions of the future, it can and does provide the means to evaluate various trends and make it possible to apply an expert system in the analysis process to forecast more precisely than in the past.

On the qualitative side of the equation, there are other methods such as the static panel, a sample of households in the United States. An example is Simmons Market Research Bureau (SMRB), which has a 13,000-plus household panel that is representative of the national census in terms of the significant demographics. Conducted frequently over a year or more, the panel provides a means to measure relatively small changes in household purchases and product usage.

Another method is the consumer diary. Diaries are especially appropriate for answering questions on brand penetration and loyalty. This approach indicates what factors influence purchasing behaviors, such as price and advertising, and where purchases are made—supermarkets, warehouse outlets, and drugstores. This method appeals to a wide range of clients in fields like packaged goods, apparel, home furnishings, financial services, travel, and entertainment.

An area of less measurement—advertising impact measurement—remains the activity where research efforts have been less successful. Until recent years, the result is that most marketers of consumer products have developed mass-marketing programs rather than target more narrowly. This has been by necessity. Without sufficient consumer purchase or usage information that could be tied directly to the advertising/promotion effort, marketers could not do otherwise. Since marketers have not been able to gauge the results of advertising and various other forms of marketing communication directly, they have instead surveyed the psychological impact of communications programs on customers and prospects.

Advertisers and agencies have been able to evaluate consumer attitudes toward the product, along with awareness and knowledge levels about their advertising and marketing communications program. Much of this research was based on testing the consumer's ability to recall advertising messages or state how seeing or hearing advertising messages might, could, or in fact had changed their attitudes toward the product or their inclination to either buy or continue buying it.

Thus, mass marketing in the past has operated on the assumption that attitudes lead to behavior. That may be true, but it is just as likely that behavior leads to attitudes. If you see an ad on TV, form a favorable impression of a product, try it out, and decide you hate it, then your new attitude is a result of your purchase behavior. So there is more going on in a purchase decision than the linear model suggests.

A more central difficulty with the mass-marketing model is the measurable surrogates or substitutes that we have used to stand in for unmeasurable purchase behavior. Recall does not necessarily equal sales or even favorable recall: **Does anyone really miss “Ring Around the Collar”, or did “The Heartbeat of America” ever really cause someone to buy an automobile?** Likewise, brand awareness does not guarantee success. The IBM brand is recognized by 90% of its potential customers around the world, yet the company still has several substantial marketing and sales problems.

There have been efforts to measure the effects of marketing communications on sales even less directly, for example, by looking at incremental units sold after a promotion. But by and large, incremental units have measured sales stolen from a competitor for a short period of time or that we have cannibalized from our own future business.

### 3. Database Marketing And The Future

Database marketing eliminates much of the need for surrogates. With cheap computing power and the ability to capture, store, and manipulate massive amounts of data, new methods of marketing communications and planning are possible. For example, with what is called single-source data, marketers can identify specific customers and users of products and services, measure their actual purchase behavior, and relate it to specific brand and product categories.

Up to now, database-centered advertising and marketing communications research for the most part has been conducted with consumers who shop in supermarkets, drugstore chains, and mass-merchandising outlets. This is because these retailer categories have been the pioneers in various forms of electronic data capture and storage. The technology is rapidly diffusing, and it is likely that during the early years of the next century, almost all types of retail vendors will be able to gather, conduct, and evaluate this type of customer information. As a result of working with retailers and market research groups, increasing numbers of manufacturers, brand managers, etc. will be able to capture and use purchase data on their brand customers and prospects.

To a large extent, the contemporary database marketing approach makes obsolete many existing statistical research and analysis techniques. In the past, researchers took a sample, projected it to the whole world, and hoped they had it right. With database marketing, when the researcher deals with real-world data, he or she begins to understand that quite often traditional statistical techniques do not make any sense.

Normal curves are generally irrelevant in database-derived marketing because all the interesting things are happening at the tails of the distribution, not in the middle. And, with the ability to capture longitudinal data (collected on the same person over a period of time) on individual customers, you can actually look at your customer's behavior over time and thereby reach much more meaningful conclusions concerning attitudes and buying behavior.

The old linear model of consumer behavior was built on a one-way process, but the new direction is research built on two-way communication between marketer and customer. The marketer receives feedback from the customer, both explicitly (through survey responses, warranty cards, etc.) and implicitly (through purchase behavior tracked in the database). The dialogue between marketer and customer is always evolving. While mass marketing treats every customer as a new prospect, integrated marketing creates individual dialogues and even changes its message as marketer and customer get to know each other. This provides the basis for the one-to-one marketing process that is at the center of contemporary consumer marketing activities.

## ***B. "Reorganizing Marketing Management—Media Neutrality"***

There is a new direction emerging in marketing management and planning. It begins with clients and agencies seeking new ways to connect with consumers. Product and service marketing plans increasingly call for adoption of nonconventional patterns of advertising support. While the Internet has been a significant causal factor in this change, the economy and the level of consumer and advertising client knowledge also are key elements in the process.

### **Teaching Objectives**

- To recognize where and how firms are striking out toward new marketing and advertising vehicles and messages, and how budgetary and other issues are making them more media-neutral.
- To develop an awareness of the changes needed to achieve better strategic focus in marketing and advertising plans and objectives.

### **Discussion**

#### **INTRODUCTION**

There is a new direction emerging in marketing management and planning. It begins with clients and agencies using new ways to connect with consumers. Accordingly, marketing plans for some new products call for adoption of nonconventional patterns of advertising support. For example, Volvo launched its new S60 via the Web, while Kellogg's created demand for its Real Fruit Winders using a mix of public relations and online activity.

Advertisers also have begun signing deals direct with media owners who provide access to a wide range of media options. Perhaps the most high-profile of these moves was Unilever's decision to sign a multiyear, multimillion dollar deal to advertise brands, such as Ragu and Dove, in AOL Time Warner's new media and print outlets.

Such examples may currently be the exception rather than the rule, but they also provide signs that “media-neutral” planning is starting to mean more than simply using posters and TV.

#### SPOILED FOR CHOICE

The rise of different media channels has created a new range of options for clients. Not only is there more Web space, combined with other media, but there is also a growth in sponsorship opportunities and the arrival of a new type of media owner. The non-TV media have begun to claim success in persuading clients that media spending should not go just to television ad spots. In addition, respected research companies now can provide case studies that prove hitting the consumer across a range of different media can boost impact well beyond that provided solely in the traditional broadcast and print media.

Despite this, the actual pattern of total media spending has not yet changed significantly. In recent years, TV’s percentage of total ad expenditure has been squeezed slightly, radio has gained a larger share, and direct marketing has moved itself up a few percentage points. In broad terms, however, spending patterns have not changed radically.

Some media analysts believe that marketers are aware that they probably should be doing things differently. Some of them are nearer than others, but none are taking bold steps yet.

There are a number of problems with the adoption of a potentially beneficial media-neutral approach. First, there is considerable cultural resistance against changing a formula that has worked in the past and from which revenue patterns have been established. Another factor is the need for brand clients to ensure that they are giving out the right message in all their marketing efforts. On the one hand, they claim they want integrated planning, but on the other hand, most have not updated their audit measures to account for changes in the way consumers receive and process messages. Last, the pressure for financial accountability works against a new approach because it encourages agencies to stick with the media they know best and those that best suit their budgets and plans.

#### MEDIA: NEUTRAL OR NOT?

The gradual movement from commission to fee-based systems encourages marketing planners and advertising agencies to be bolder and broader in their media schedules. The view is that as the process becomes more fee-based, marketing and media decisions also will be more impartial.

However, there will be organizational and structural issues because the clients’ advertising managers dominate the current system. If the budget moves to a more integrated marketing approach, these folks may be left behind, and they will not be happy. Also, there will be an increasing need to train media planners who can cross the artificial line that divides traditional from integrated media, with the latter perceived as less glamorous.

Direct marketing is in long-term growth, but integration with traditional advertising campaigns is sadly, a rarity. Public relations campaigns frequently operate in total isolation from paid-for media communications. It seems that while media-neutral planning may be a no-brainer in principle, actually putting it into practice is proving to be much more challenging. One solution may be to simplify the agency relationship, so that clients and agencies can work closer together.

A number of forward-looking marketing-oriented companies, such as Canon, have moved their business onto a more global basis and revamped their planning and ad agency structures. Canon appointed one agency

to handle its media, another to do consumer creative, another to do business-to-business creative, another to do direct mail, and another to handle PR.

In the Canon structure, the agencies sit down with company executives on Canon's brand continuity group to ensure that everyone takes part in the early discussions. In this manner, they determine that if the consumer business is doing something, this is shared with the B2B people, and the creative agencies work with the media agency before the brief is even formulated.

The bottom line is that Canon gets more bang for the buck by integrating the marketing and media program, not just in terms of visual identity, but also in terms of tone.

#### NEW COORDINATION?

Integration may improve co-ordination of campaigns, but the key question is whether it encourages a change in marketing planning and in media spending? It appears that over time an entirely new budget model will evolve. There is no question that the efforts to get the right mix will take time, and firms continually will evaluate the spending balance, trying to determine the right balance between the traditional and newer approaches and media.

#### THE HANDS-ON CLIENT

Another development is the emerging concept of the "brand custodian". While most marketing analysts agree that the client has to be the custodian of the brand, there also is agreement that there are too many firms that have abrogated the responsibility to their agencies. The brand owner can use partners to help with the problem, but has to maintain the ultimate identity of what the brand should be and the sorts of media channels to utilize in the brand development and maintenance effort.

It is important to have expertise in-house because it is dangerous to rely on an external resource for all marketing strategic development. The circumstances of the early 21<sup>st</sup> Century make it clear that there must be more two-way knowledge to maintain direction once there is agreement on the objectives and strategy.

Agencies and partners need and appreciate quality of thought within the client company so that they can bounce ideas off those who best understand the brand. The agencies need such expertise in order to be able to judge their performance and that of their media choices. Lastly, the media planning organization should be able to provide content rather than just advertise. The point is that if all they do is advertise at people then they are not engaging with them.

It is becoming clearer that great marketing firms tend to allow communication strategy to lead the actual creative strategy because they must put emphasis on who they are communicating to and by what sort of channel. Further, the goal for marketers and creative agencies should be to become better at understanding their consumers and as a result, become more confident about reaching them directly. Instead of looking at rate cards every day, they should instead think about the right media channel for a communication effort to the right target market. They should ask: "What's the audience here and can we reach them better?"

#### LOW BUDGET NEUTRALITY

Another trend is the movement for smaller- and medium-size firms also to engage in such planning and control, not only the large and deep pocket firms. To assist in this process, there are marketing firms that can "parachute" into a company to provide marketing expertise on a short-term basis, effectively represent the client, and to be neutral on the marketing integration issue. There have been creative independents and media independents in the past, but now we have account management independents.

There will be more of that sort of agency down the road to overcome the lack of strategic focus in media planning, to make sure that it is aligned with brand objectives. However, three major issues need to be resolved before true consumer-centric media-neutral planning is possible.

- First, there is a question of money. Accountability criteria should move away from efficiency toward effectiveness. This is something that payment by results or sales would encourage.
- Second, there is a need for agencies to understand how all the media channels fit together, including direct marketing and PR.
- Third, we need an environment that encourages change, creates new ways of doing business, and provides incentives to move in a media-neutral manner.

While ad agencies can currently offer media-neutral thinking in “pockets”, they lack consistency. Most big agencies are good at it in pockets, but the challenge is to be consistent across the board.

In addition, the media are ideally positioned to take advantage of client needs, but they still do not have the right skill-sets. It is an open goal for the media agencies but they have to up their skills. They have to find a way of managing the dichotomy between the economics of the business and serving the client.

PR and the Web drive well-organized marketing efforts to maximum capacity within two to three months, and in some recent examples the brands have not utilized TV until six months after launch. In any case, marketers should be aware that future budgets for new launches or for brand extensions might not allow the use of traditional strategies.

Given the level of competition, shorter product life cycles, consumer awareness, and changing channels of distribution, budgets just may not be there anymore, and marketing firms will have to come up with different solutions. This will lead, sooner than later, to media neutrality in the implementation of marketing plans and strategies.

Source: Media Week, March 1, 2002.

## VIII. Background Article(s)

### ***Issue: Strategy Issues in Telecom: Broadband on the Move***

Source: “Broadband Hits Warp Drive,” Cablevision, May 28, 2001, pp. 26-27.

Marketing cable used to be simple. When an operator came to town, eager customers chased the trucks down the street and signed up on the spot.

Times have changed. Today, fickle consumers, demanding businesses, and drill-down marketing strategies heaped with research and behavioral data, are pushing cable marketers to dizzying new heights of complexity. And the ascent isn’t likely to level off anytime soon.

Strategic marketing plans now must include a jigsaw puzzle of objectives and executional tactics designed to acquire and retain a new crop of residential and business consumers—both with increasingly savvy and sophisticated views of video, voice, and data services and a good idea as to when and how they want them.

Add a golden opportunity for cable to snatch a sizable number of CLEC (local phone company) customers currently without high-speed Internet service, and DSL (digital subscriber line) users disgruntled by outages and spotty service, and cable's strategic marketing models are being stretched even further to include cable-modem service and commercial markets.

"Our focus is to go for market share on high-speed Internet and telephony, and that's new to our competitive strategy," says the vice president of marketing for Cox Communications. "It's still all about the bundle, but how we talk about the bundle may be different. Single-product marketing is almost history."

For Cox and other multiple system operators, marketing history is being rewritten with the advent of services such as high-speed data, Internet access, and telephony. Each requires a marketing strategy of its own, experts say, as well as a clear view of the customer and the marketplace.

According to the Cox Marketing, VP, "Clearly, we've had to become more intelligent about the marketplace and be careful not to overreact to it. It's not cost-effective to market one product at a time anymore, and we've had to coordinate our marketing efforts. With 20 % penetration in the data market and 80 % availability for data, those customers want bundles, so a key for Cox is to recognize the growth potential for data and business services."

Target: DSL

The recent DSL and CLEC fallout is providing plenty of potential for MSOs to attract current DSL customers to their high-speed data and cable-modem services—and prompting a growing number of them to incorporate some guerrilla marketing tactics.

"The fact that some DSLs are struggling is a very big focus for us this year, and it's a great marketing opportunity for us," says the marketing vice president for Charter Communications. "But in the longer term, DSL growth will be substantial, so now is our chance to get into that market and sew up as many high-speed Internet customers as possible. The demand for high-speed data is very robust."

Charter's strategy is to offer DSL customers entry-level price points and move up from there. "We have several packages and we're finding many entry-level customers electing to move up to faster services," Lang says. "We also plan to shed some light on the DSL issue and the ease of installation of cable-modem service."

Charter's high-speed data service, called Charter Pipeline, is the company's entry in the data market. It currently has 343,000 data customers, and nearly 600,000 are projected to be online by year-end. Customers pay anywhere from \$25 to \$50 a month, depending on speed. The company is also conducting IP-telephony trials in two markets and plans to deploy the service later this year.

Other MSOs, such as Cablevision Systems, are paying closer attention to the DSL market as well, and are crafting various "in-your-face-DSL" messages to pry loose a fair share of DSL customers.

"All of our messaging is about faster cable-modem service, but we've employed a broader marketing approach to DSL customers through specific radio and print ads that stress our stability and that we're ready to hook-up immediately," says the vice president of product strategy for Cablevision Systems. "It's a more pointed marketing strategy."

The MSO's marketing strategy targets not only the DSL crowd, but also high-speed data consumers who, as a whole, need ongoing education and various degrees of hand-holding. "We always address DSL, but the primary thrust of our marketing strategy is to educate the marketplace about a new category. There's lots of confusion, so our messaging must inform, educate and demonstrate."



## What Is Broadband?

It should help define the term broadband as well, since an alarming number of consumers are unclear about this term. A recent survey found that out of the 40% of consumers who have even heard the term broadband, only 45% of them know what it means.

According to another industry vice president of marketing: “Marketers need to understand the technology to be able to write positioning and marketing strategies, because it’s now at another level, and cable operators and programmers should work together to generate brand strengths and new benefits they’ll see with broadband messaging.”

Yet with that messaging comes a whole new set of marketing challenges, and it includes, first and foremost, keeping it simple. These are fairly complicated products, so the industry will have to craft messages to consumers that indicate the products are very simple. That’s a tough marketing challenge. So tough, in fact, that Cox will adjust its branding message to include all three of its trifecta of services—video, voice, and data—into one cohesive brand. At least that’s the idea. According to a Cox official: “For Cox’s business services to be successful, it has to be on the street with products and leverage the Cox brand. We’ll rebrand it with a strong message that will help both residential and business and tie all three products together.”

The message is a market-by-market emphasis on the company’s strengths, not the weaknesses of competitors such as DSL. Cox wants to be in a higher place in customers’ minds. But reaching that higher place will require some marketing shifts if cable operators are serious about gaining a palatable market share of the high-speed data market. A recent Harris Interactive report shows the number of high-speed households grew 41% from April 2000 to January 2001, and DSL accounted for 75% of that growth, narrowing the cable modem’s market share from 65% to 51%.

“If cable operators can vertically integrate services and design targeted marketing messages to reach all consumers, that’s very smart,” says the president of a media research firm. “But PC and Internet penetration can’t move past the 50% to 60% penetration levels and that’s a major issue.” However, this may be a short-lived situation since the cable operators are in a great position to break that barrier with cable modems in homes and businesses. But they have to do more to get into the consumer market.

A big chunk of that market is urban. An average of \$135 a month is spent on triple-play services in the urban market. These people will continue to spend that money as broadband services tap into the urban markets. Most operators are now conducting considerable research on those markets.

## Branding and Bundling

But as vital as that urban research may be, most marketers for the major systems get the message that brand equity and bundled services still rule, particularly with the explosion of new services and customer demands, both residential and commercial. “We’ve made progress to develop a consistent look and feel of our brand, and made huge steps in creating a brand position,” says a senior vice president of marketing and sales for AT&T Broadband. “But this is a complicated business and it’s difficult to execute flawlessly all of the time. The challenges are mostly within these walls.”

Broadband is pressing ahead with its digital, telephony, and high-speed data marketing strategy of bundled services, but not as aggressively. The firms are in a “go” mode for high-speed data, but they have figured out how to do it less expensively by pulling back on the aggressiveness of their offers and through smarter marketing.

As part of that smarter marketing, a fully integrated business and direct sales force is dedicated to each of the three triple-play services. Their main activities? Demos, demos, and more demos. They are concerned, however, that the customer experience must be positive at every touch point, and they working closely with their operational counterparts all the way through the customer experience.

AT&T Broadband's introduction of digital value packages, its dish buy-back programs, and a recently launched website are playing major roles in the rollout of digital video and data services. They admit there is much to be learned about bundle marketing. It's an ongoing process to try and bring all the services, technologies, engineering, and new-product development together, and they are learning on a daily basis.

### **Next: High-Speed Data**

Partnered or not, cable operators are intent on pushing ahead with their bundled service marketing plans mixed with traditional marketing strategies, and the high-speed data segment is next in line.

Cable operators have good leverage to provide CLEC services and many are going after business markets with those types of services. "If they're able to leverage the infrastructure, it will open new revenue sources, and if they can bundle, they could capture a significant amount of the telecommunications market." By 2005, the Internet-access business is expected to generate \$8.2 billion in revenue, with the local voice market in the business sector projected to bring \$38 billion in revenue.

Voice and data markets are very large versus video to business. "Business customers want multiple core services and cable operators are going after those. If operators can make it work, that's the place to be." This is where Charter Communications and other MSOs are targeting their marketing dollars. When they can offer simple services with multiservice messages of value to commercial markets, that's the goal.

Blending a group of 13 different cable systems into one marketing strategy is a goal for Charter as well—albeit an ambitious one. The "one brand" strategy is a real challenge, they admit. "However, the branding strategy remains simple: Go to the consumer with the message that the service is reliable and stable. There's still a tremendous amount of marketing dollars in digital services, and that will allow them to deploy new services on the digital platform."

As for DSL and cable's ability to exploit that stumbling marketplace, most experts are convinced the demand for high-speed Internet access, data, and cable modems, will drive the marketing plans at many MSOs and stretch them to include highly-targeted segments. The demand is there, and the strategy is a natural for DSL-marketing opportunities for modems and DSL services.

But whether the cable industry can seize the opportunity will most likely depend on the effectiveness of its marketing campaigns designed to capture DSL and high-speed data customers. One thing is certain, however, more marketing attention will be shown in the DSL segment than ever before as cable operators scramble to plug in a growing crop of disengaged high-speed customers.

### ***Issue: Marketing Research in the Online Environment***

*Source:* "P&G Puts Spin On Web Coupons," *Brandmarketing*, October 2001, p. 6.

### **Details of Procter & Gamble's Consumer-Specific Marketing Strategies**

Online coupons and samples are enabling Procter & Gamble Co. (P&G) to build on its consumer-specific marketing efforts. Information from consumers helped the firm develop better target offers.

Online promotions are an integral part of two of P&G's big online multibrand endeavors, Home Made Simple and S-magazine. Both are being marketed to consumers in the form of email newsletters that include content, coupons, and samples. Last month's Home Made Simple newsletter, for instance, offered decorative painting techniques, packaged lunch ideas, and gardening suggestions. It also included a 50-cent coupon for

Mr. Clean Wipe-Ups. Home Made Simple is designed to “simplify, organize, beautify, and inspire”. It focuses on P&G’s home-care brands, including Cascade, Dawn, and Mr. Clean.

The purpose of S-magazine, at smag.com, is to “simplify everyday living”. Its brand slogan is “We’re the S in Simplicity”. Featured brands rotate on a monthly basis and cut across multiple P&G business units. In an innovative move, P&G is also using S-magazine to highlight external brands. For instance, a current issue featured Rosie and Spiegel magazines, as well as Iams pet food. Other issues have offered discounts for Betty Crocker and Eddie Bauer.

P&G has aggressive plans for S-magazine, saying it wants to more than double the magazine’s current 3 million subscriber list by the end of the year, according to one of the brand managers.

P&G is backing the program strongly due to the many benefits of online sampling and couponing, which can drive purchase intent, get people to sample a product, spread word-of-mouth support, and ultimately boost sales. It’s one of the most effective ways of assuring any kind of repeat behavior.

While Home Made Simple ([www.homemadesimple.com](http://www.homemadesimple.com)) has been operating for nearly one year, P&G recently strengthened its couponing and sampling features by partnering with FreeSamples.com, San Francisco, an online targeted marketing solution. FreeSamples takes the sampling orders, fulfills them, and provides P&G with information on the consumer who requested them.

S-magazine is a data-collection tool as well, only the sampling engine is powered by P&G itself, not by a third party like FreeSamples. Consumers who opt-in to receive a sample, coupon, or discount are asked a series of questions. For instance, visitors recently were offered a sample of an Olay Total Effect Cleansing Cloth. To get the sample, they were asked about their household income, number of pets and children in household, facial cleanser use, and brand preference, among other areas. P&G uses the responses to tailor future copies of S-magazine to each consumer’s needs. They learn as much as possible so that they can get as targeted as possible.

Along with its multibrand sites, P&G also uses samples and coupons at several of its brand-specific sites, including Tide.com. Under a new promotion launched in conjunction with FreeSamples, consumers can register to receive a free sample of Tide Kick, a pre-treating and measuring device designed in conjunction with Tide Deep Clean formula. Along with the sample, consumers receive a 50-cent coupon for Tide Deep Clean.

P&G decided to work with FreeSamples to tap into the company’s large consumer database to do much more target marketing via the Web. For certain brands and categories, P&G truly understands the value of consumer-specific marketing.