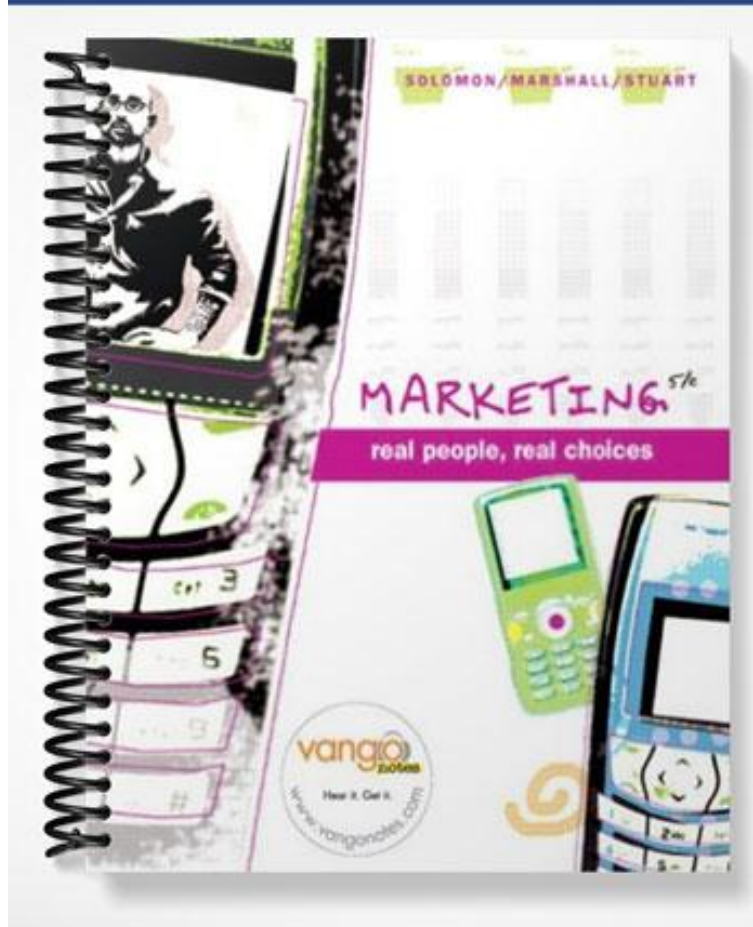


# SOLUTIONS MANUAL



# Chapter 2

## Strategic Market Planning: Capturing the Big Picture

### I. CHAPTER OVERVIEW

*Use Power Point Slide 2-1 Here*

The title of Chapter 2 implies that businesses that conduct strategic planning achieve an advantage in the marketplace. In today’s dynamic environment, strategic planning certainly does provide better tools and resources to help survive, compete, and thrive in the marketplace.

In this chapter, students learn that strategic planning can take place at both the corporate and the SBU level in large firms and in a single stage in smaller businesses. Businesses conduct functional (including marketing) and operational planning. Successful businesses continually scan the organization’s internal environment and external business environment. By carefully following these strategies, undeniably businesses can create their own advantage.

### II. CHAPTER OBJECTIVES

*Use Power Point Slide 2-2 Here*

- Explain the strategic planning process.
- Describe the steps in marketing planning.
- Explain operational planning.
- Discuss some of the important aspects of an organization’s internal environment.
- Explain why marketers scan an organization’s

### III. CHAPTER OUTLINE

The PowerPoint slides include unique images that do not appear in the book. The asterisk (\*) in the outline below identifies when to use those slides for class discussion or activity. The outline also includes a feature entitled “Marketing Moment,” which is identified by an arrow icon (►). These are short, in-class activities—appropriate for either individual or group work.

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| <b>► MARKETING MOMENT INTRODUCTION</b>  |   |  |
| Give students a few moments to consider the following scenario. You are the CEO of a company that produces whole wheat pasta. What are opportunities in the external environment for this product? (diabetics eat whole wheat pasta; South Beach diet promotes whole wheat consumption; whole wheat is healthier than white flour). What are environmental threats to whole wheat pasta? (low-carb diets; less popular taste; less appealing to children) |   |  |
| pp.36-39  | <b>1. REAL PEOPLE, REAL CHOICES--DECISION TIME AT QODE</b>  |  |
| PPT #2-3  | Chapter 2 begins with a discussion of Qode (pronounced “code”), a high-tech product from NeoMedia. If NeoMedia has its way, |  |

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| <p>pp.58-59<br/>PPT<br/>#2-40</p>  | <p>consumers will be able to “click” a bar code with their cell phone and instantly access many different applications—such as a movie poster, a virtual tour of a house for sale, a coupon for a product purchase—wherever the customer happens to be. Unfortunately, cell phone companies have been less than enthusiastic in embracing this product. How can Rick Szatkowski, vice president of business development, and his company convince cellular providers to offer this product? Rick is considering three different strategies:</p> <ol style="list-style-type: none"> <li>1. <b>Continue the headbanging – partnering with the cell phone carriers is essential.</b></li> <li>2. <b>Leverage the huge popularity of social networking and related channels.</b></li> <li>3. <b>Focus on brand-driven distribution</b></li> </ol> <p>The vignette ends by asking the students which option should he choose and why</p> <p>Rick selected option 2</p> |  |
| <p><i>Appendix A</i> at the end of the book (pages 537–542) includes an interview with Rick Szatkowski, vice president for business development for Qode, in which he answers key questions about marketing planning.</p>  |   |  |
| <p>p. 40<br/>PPT<br/>#2-4</p>  | <p><b>2. BUSINESS PLANNING: COMPOSING THE BIG PICTURE</b></p> <p>Planning for the future is the key to prosperity. <b>Business planning</b> is an ongoing process of making decisions that guide the firm both in the short-term and for the long-term. Planning identifies and builds on a firm’s strengths, and it helps managers at all levels to make informed decisions in a changing business environment.</p> <p>A <b>business plan</b> includes the decisions that guide the entire organization or its business units.</p> <p>A <b>marketing plan</b> describes the marketing environment, outlines the marketing strategies, and identifies how the strategies will be implemented, monitored, and controlled.</p>  |  |
| <p>Chapter 2 includes a <i>pullout template</i> of a marketing plan students can use as they make your way through the book. The template provides a framework that will enable students to organize marketing concepts by chapter and create a solid marketing plan of their own. New to the back of the template is a world map. Encourage students to keep this pullout as a handy reference after the class.</p> |   |  |

Use *Appendix B* at the end of the book (pages 543–554) to show students a sample marketing plan.

If your students have not been exposed to financial analyses in other courses, consider covering *Appendix C* at the end of the book (pages 555–563). This Appendix includes a review of the income statement and balance sheet as well as some basic performance ratios. It also includes an explanation of some of the specific calculations marketers use routinely in setting prices for their goods and services.

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| <p>pp. 41-42<br/>PPT #2-5</p> <p>PPT #2-6</p> <p>PPT #2-7</p> <p>PPT #2-8</p> <p>PPT #2-9</p> | <p><b>3. THE THREE LEVELS OF BUSINESS PLANNING</b><br/>Business planning occurs at three levels: strategic, functional, and operational. During planning, an organization determines its objectives and then develops courses of action to accomplish them.</p> <p><b>Strategic planning</b> is the managerial decision process that matches the firm’s resources and capabilities to its market opportunities for long-term growth.</p> <p><b>Functional planning</b> is accomplished by the various functional areas of the firm, such as marketing, finance, and human resources. Functional planning typically includes both a broad five-year plan to support the firm’s strategic plan and a detailed annual plan for the coming year.</p> <p><b>Operational planning</b> focuses on the day-to-day execution of the functional plan and includes detailed annual, semiannual, or quarterly plans.</p> <p>All business planning is an integrated activity, integrating the organization’s strategic, functional, and operational plans.</p> | <p>p. 41<br/>Figure 2.1<br/>Planning at Different Management Levels</p> |
| <p>p. 42<br/>PPT #2-10</p> <p>pp.42-</p>  | <p><b>4. STRATEGIC PLANNING: FRAMING THE PICTURE</b><br/>Many large firms have become multi-product companies with self-contained divisions organized around products or brands.</p> <p>These self-contained divisions are called <b>strategic business units (SBUs)</b>, individual units representing different areas of business within the firm that are each different enough to have their own mission, business objectives, resources, managers, and competitors.</p> <p>Listed below are typical steps followed in strategic planning.</p> <p><b>4.1 Step 1: Define the Mission</b></p>   | <p>p. 46<br/>Figure 2.2<br/>Role of Strategic Business Units (SBUs)</p> |

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| 43<br>PPT<br>#2-11<br>#2-12<br><br>*PPT<br>#2-13  | <p>Questions asked in this stage include: What business are we in? What customers should we serve? How should we develop the firm’s capabilities and focus its efforts? Answers to these questions become part of the <b>mission statement</b>, a formal document that describes the organization’s overall purpose and what it hopes to achieve in terms of its customers, products, and resources. The ideal mission statement is not too broad, too narrow, or too shortsighted.</p> | p. 43<br>Xerox ad   |
| <p>► <b>Marketing Moment In-Class Activity</b><br/>Can you identify the brand/product/company for these mission statements?</p> <ul style="list-style-type: none"> <li>• Become the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles while we grow. (Starbucks—www.starbucks.com)</li> <li>• To bring inspiration and innovation to every athlete in the world (Nike--<a href="http://www.nike.com/nikebiz/nikebiz.jhtml?page=4">http://www.nike.com/nikebiz/nikebiz.jhtml?page=4</a>)</li> </ul> |   |   |
| pp. 43-44<br>PPT<br>#2-14   | <p><b>4.2 Step 2: Evaluate the Internal and External Environment</b><br/>This is referred to as a <i>situation analysis</i>, <i>environmental analysis</i>, or sometimes a <i>business review</i>. The analysis includes a discussion of the firm’s internal environment, which can identify a firm’s strengths and weaknesses, as well as the external environment in which the firm does business so the firm can identify opportunities and threats.</p>                             |   |
| PPT<br>#2-15  | <p>The <b>internal environment</b> is all controllable elements inside a firm that influence how well the firm operates. Examples include the firm’s people, its technologies, physical facilities, financial stability, and relationships with suppliers.</p>  | p. 44<br>Maxell ad  |
| PPT<br>#2-16  | <p>The <b>external environment</b> consists of elements outside the firm that may affect its performance either positively or negatively. The external environment includes consumers, government regulations, competitors, the overall economy, and trends in popular culture. Both threats and opportunities can come from any part of the external environment.</p>  | p. 45<br>Planters ad  |
| PPT<br>#2-17<br>#2-18<br><br>*PPT<br>#2-19<br>#2-20   | <p>A <b>SWOT analysis</b> is the synthesis of the analysis of a firm’s internal and external environments. A SWOT analysis allows managers to focus clearly on meaningful strengths (S) and weaknesses (W) in the firm’s internal environment, and opportunities (O) and threats (T) coming from outside the firm (the external environment).</p>   | p. 44<br>Table 2.1<br>Example of a Partial SWOT Analysis for McDonald’s |

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| <p><b>Use <i>Brand You</i></b> Chapter 2 (Planning Your Career) Here—Have students write their own mission statements, evaluate their personal strengths and weaknesses and identify opportunities and threats they see in the current job market for their field.</p> |  |   |
| <p>pp.45-46<br/>PPT<br/>#2-21</p>  | <p><b>4.3 Step 3: Set Organizational or SBU Objectives</b><br/>Organizational objectives are a direct outgrowth of the mission statement and broadly identify what the firm hopes to accomplish within the general time frame of the firm’s long-range business plan. Objectives need to be specific, measurable, and attainable. Objectives may relate to a number of elements such as revenue and sales, profitability, the firm’s standing in the market, or return on investment.</p>  | <p>p.45<br/>Muir Glen ad</p>  |
| <p>pp. 46-48<br/>PPT<br/>#2-22<br/>#2-23</p>   | <p><b>4.4 Step 4: Establish the Business Portfolio</b><br/>Companies with several different SBUs must make decisions about how to best allocate resources across these businesses to ensure growth for the total organization. Each SBU has its own focus within the firm’s overall strategic plan, and each has its own target market and strategies for reaching its objectives.</p> <p>The range of different businesses that a large firm operates is called its <i>business portfolio</i>. Having a large business portfolio reduces the firm’s dependence on one product line or one group of customers.</p> <p><b>Portfolio analysis</b> is a tool management uses to assess the potential of a firm’s business portfolio, helping management decide which of its SBUs should receive more—or less—of the firm’s resources and which of its SBUs are most consistent with the firm’s overall mission.</p> | <p>p. 45<br/>Figure 2.2<br/>Role of Strategic Business Units (SBUs)</p> |
| <p>PPT<br/>#2-24</p>   | <p>The <b>BCG growth-market share matrix</b> is one model managers use to assist in the portfolio management process. The BCG (Boston Consulting Group) model focuses on determining the potential of a firm’s existing successful SBUs to generate cash that the firm can then use to invest in other businesses.</p> <p>SBUs are categorized as:</p> <p><b>Stars:</b> products that have a dominant market share in high-growth markets.</p> <p><b>Cash cows:</b> products that have a dominant market share in a low-growth potential market.</p> <p><b>Question marks:</b> products with low market shares in fast-growth markets.</p> <p><b>Dogs:</b> products with a small share of a slow-growth market.</p>  | <p>p. 47<br/>Figure 2.3<br/>BCG Growth-Market Share Matrix</p>          |
| <p>*PPT<br/>#2-25</p>  |  |   |
| <p><b>Marketing Moment In-Class Activity</b></p>   |  |   |

In small groups, have students identify various drinks sold by the Coca-Cola Company and have them classify these drinks into the Boston Consulting Group Matrix. (Students will learn the challenges of estimating market share) (Ex.—Coke=cash cow; Tab=dog; Dasani=star (?); PowerAde=question mark?)  
 See <http://www2.coca-cola.com/makeeverydropcount/home.html> for a display of all Coke products

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| <p>pp.48-51<br/>PPT<br/># 2-26</p> <p>*PPT<br/>#2-27</p> <p>*PPT<br/>#2-28</p> | <p><b>4.5 Step 5: Develop Growth Strategies</b><br/>         Part of the strategic planning at the SBU level entails evaluating growth strategies. The product-market growth matrix is used to analyze different growth strategies. The matrix provides four different fundamental marketing strategies.</p> <ul style="list-style-type: none"> <li>• <b>Market penetration:</b> increasing sales of existing products to existing markets.</li> <li>• <b>Market development:</b> introducing existing products to new markets.</li> <li>• <b>Product development:</b> selling new products in existing markets.</li> <li>• <b>Diversification:</b> emphasizing new products and new markets to achieve growth.</li> </ul> | <p>p. 48<br/>Marketing Metrics: Measurements reported to boards</p> <p>p.49<br/>Figure 2.4<br/>Product-Market Growth Matrix</p> |
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► **Marketing Moment In-Class Activity**  
 Using a new product (such as Propel Fitness Water (vitamin enhanced bottled water) or a cola/coffee energy drink) have students brainstorm ideas for product growth using each of the categories in the product market matrix (Ex.—Penetration—sell Propel in gallon jugs; New Market—sell to Mom’s trying to get children to take vitamins; New Products—develop Propel gum; Strategy Diversification—develop line of Propel sportswear.)

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| <p>pp. 51-56</p>                  | <p><b>5. MARKETING PLANNING: SELECTING THE CAMERA SETTING</b></p> <p>An important distinction between strategic planning and marketing planning is that marketing professionals focus much of their planning efforts on issues related to the firm’s product, price, place (distribution), and promotions.</p> <p>The following steps are involved in the marketing planning process:</p>   | <p>p. 50<br/>Real People,<br/>Other Voices</p> |
| <p>p.51<br/>PPT<br/>#2-29</p>     | <p><b>5.1 Step 1: Perform a Situation Analysis</b></p> <p>The first step in developing a marketing plan is for marketing managers to conduct an analysis of the marketing environment. To do this, managers build on the company’s SWOT analysis by searching out information about the environment that specifically affects the marketing plan.</p>   | <p>p. 52<br/>Jennie-O ad</p>                   |
| <p>pp.51-52<br/>PPT<br/>#2-30</p> | <p><b>5.2 Step 2: Set Marketing Objectives</b></p> <p>Marketing objectives are specific to the firm’s brands, sizes, product features, and other marketing-mix elements.</p>  |  |
| <p>PPT<br/>#2-31</p>              | <p><b>5.3 Step 3: Develop Marketing Strategies</b></p> <p>Marketing strategies are decisions about what activities must be accomplished to achieve the marketing objectives. Specific decisions include deciding which markets to target and developing marketing mix strategies to support how the product is positioned in the market, relative to competition.</p>   |  |
| <p>pp. 52-53</p>                  | <p><b>5.3.1 Selecting a Target Market</b></p> <p>The target market is the market segment selected because of the firm’s belief that its offerings are most suited to winning those customers. The firm assesses the potential demand—the number of consumers it believes are willing and able to pay for its products—and decides it has the distinctive competencies that will create a competitive advantage in the marketplace among target customers.</p>   |  |
| <p>PPT<br/>#2-32<br/>#2-33</p>    | <p><b>5.3.2 Developing Marketing Mix Strategies</b></p> <p>Marketing mix decisions identify how marketing will accomplish its objectives in the firm’s target markets.</p> <ul style="list-style-type: none"> <li>• Product strategies include decisions such as product design, packaging, branding, support services, product variations, and product features.</li> <li>• Pricing strategies determine what specific price a firm charges for a product. Prices are set for the consumer,</li> </ul> | <p>p. 53</p>                                   |



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| <p>pp. 54-55<br/>PPT #2-34</p> <p>PPT #2-35</p> | <p>wholesaler, and retailer.</p> <ul style="list-style-type: none"> <li>• Promotion strategies are communications that explain product benefits and features to the target market. Examples of promotional vehicles include advertising, sales promotion, public relations, and publicity.</li> <li>• Distribution strategies outline how, when, and where the firm will make the product available to targeted customers. Marketers must decide whether to sell the product directly to the final customer or whether to sell through retailers and wholesalers.</li> </ul> <p><b>5.4 Step 4: Implement and Control the Marketing Plan</b><br/>During this stage, marketers work to make the plan successful and spend the majority of their time managing the elements of the marketing plan.</p> <p>Marketers use <b>controls</b> to measure actual performance to established marketing objectives. Often firms seek to measure the <b>return on marketing investment (ROMI)</b> to understand the impact of marketing on the firm’s success, financially and otherwise. Adjustments are made to strategies or objectives based on the evaluation of the controls.</p> <p>The marketing process is documented in a formal written marketing plan.<br/><b>Action plans</b>, included in a marketing plan, provide guidance for the implementation and control of the various marketing strategies with the plan.</p> <p>Four elements of the action plan form the overall implementation and control portion of the marketing plan.</p> <ul style="list-style-type: none"> <li>• Responsibility</li> <li>• Time line</li> <li>• Budget</li> <li>• Measurement and control</li> </ul> | <p>My Rich Uncle ad</p> <p>p. 55<br/>Table 2-2<br/>Examples of Marketing Measures</p> <p>p. 55<br/>Table 2.3<br/>Action Plan Template</p> |
| <p>pp. 56-58<br/>PPT #2-36</p> <p>p. 57</p>     | <p><b>6. CREATING AND WORKING WITH A MARKETING PLAN: SNAPPING THE PICTURE</b></p> <p><b>6.1 Make Your Life Easier: Use the Marketing Planning Template</b></p> <p><b>6.2 Operational Planning: Day-to-Day Execution of Marketing Plans</b><br/><b>Operational plans</b> focus on the day-to-day execution of the marketing plan, which is performed by first-line supervisors such</p>  | <p>Marketing Template foldout is inserted at end of Chapter 2.</p>  |

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|  | <p>as sales managers, marketing communications managers, and marketing research managers.</p> <p>Operational plans generally cover a shorter period of time than either strategic plans or marketing plans and include detailed directions for the specific activities to be carried out, who will be responsible for them, and time lines for accomplishing the tasks. Many of the important marketing metrics managers employ to gauge the success of plans get used at the operational planning level.</p>   |   |
| <p>pp.57-58<br/>PPT<br/>#2-37</p> <p>*PPT<br/>#2-38<br/>*PPT<br/>#2-39</p> <p>p. 58<br/>PPT<br/>#2-40</p> <p>PPT<br/>#2-42</p> | <p><b>6.3 The Value of a Marketing Culture</b><br/>It is important for marketers to understand the environment in which their planning must take place. The environment in which a firm operates is central to the success of marketing planning</p> <p>A firm's <b>corporate culture</b>, the set of values, norms, and beliefs that influence the behavior of everyone in the organization, determines much of its internal environment. A firm's corporate culture may relate to the acceptance of new ideas, the importance of ethical behavior, dress codes, and the value of individuality and creativity.</p> <p><b>Real People, Real Choices, How It Worked Out at Qode</b><br/>Rick chose Option 2.</p> <p><b>Fast Forward to Chapter 3: Decision Time at Tupperware</b></p> | <p>p. 59<br/>Marketing<br/>Metrics: How<br/>NeoMedia<br/>Measures<br/>Success</p> |

## IV: END-OF-CHAPTER ANSWER GUIDE

### CHAPTER REVIEW

#### ►MARKETING CONCEPTS: TESTING YOUR KNOWLEDGE

1. What is strategic, functional, and operational planning? How does strategic planning differ at the corporate and the SBU levels?

Strategic planning is the managerial-decision process that matches the organization's resources and capabilities to its market opportunities for long-term growth. Functional planning typically includes both a broad five-year plan to support the firm's strategic plan and a detailed annual plan for the coming year. Operational planning is a decision process that focuses on developing detailed plans for day-to-day activities that carry out an organization's tactical plans.

Top managers at the corporate level establish a mission for the entire corporation. Top managers then evaluate the internal and external environment of the business and set corporate-level objectives that guide decision making within each individual SBU. If the firm is big enough to have separate SBUs, each SBU will have its own objectives that are relevant to its operation but directly connected to the corporate-level objectives.

2. What is a mission statement? What is a SWOT analysis? What role do these play in the planning process?

A mission statement is a formal document that describes the organization's overall purpose and what it hopes to achieve in terms of its customers, products, and resources. The mission statement is important to an organization because it defines the scope of the firm's activities and identifies its strategic focus. When the mission statement is constructed correctly it not only spells out the organization's scope and focus, but it sets the direction for everyone's efforts.

When a company assesses its internal and external environments it is performing a critical step in the strategic planning process. Managers call this evaluation a *SWOT analysis* because it tries to identify meaningful strengths (S) and weaknesses (W) in the organization's internal environment, and opportunities (O) and threats (T) coming from outside the organization—the external environment. A SWOT enables a firm to develop strategies that make use of what the firm does best in seizing opportunities for growth, while at the same time avoiding external threats that might hurt the firm's sales and profits.

3. 3. What is a strategic business unit (SBU)? How do firms use the Boston Consulting Group model for portfolio analysis in planning for their SBUs?

Many firms realize that relying on only one product can be risky, so they have become multi-product companies with self-contained divisions organized around products or brands. These self-contained divisions are called *strategic business units (SBUs)*—individual units within the firm, each having its own mission, business objectives, resources, managers, and competitors.

The Boston Consulting Group model focuses on the potential of a firm's existing successful products to generate cash that the firm can then use to invest in new products. New products are chosen for their potential to become future cash generators. In the BCG matrix, the vertical axis represents the attractiveness of the market, the market growth rate. The horizontal axis shows the company's current strength in the market through its relative market share.

SBUs are categorized as stars, cash cows, question marks, and dogs:

- **Stars:** are business units with products that have a dominant market share in high-growth markets.
- **Cash Cows:** have a dominant market share in a low-growth potential market.

- **Question Marks:** (sometimes called *problem children*) are products with low market shares in fast-growing markets.
  - **Dogs:** are products that nobody wants. They have a small share of a slow-growth market.
4. Describe the four business growth strategies: market penetration, product development, market development, and diversification.

The four business growth strategies as exemplified by Figure 2.4 are:

- **Market penetration:** these strategies seek to increase sales of existing products to current customers, nonusers, and users of competing brands.
  - **Market development:** these strategies introduce existing products to new markets. This can mean reaching new customer segments within an existing geographic market or it may mean expanding into new geographic areas.
  - **Product development:** these strategies create growth by selling new products in existing markets. Product development may mean that the firm improves a product's performance, or it may mean extending the firm's product line by developing new variations of the item.
  - **Diversification:** these strategies emphasize both new products and new markets to achieve growth.
5. Explain the steps in the marketing planning process.

**Perform a Situation Analysis—**Marketing managers conduct an analysis of the marketing environment by building on the company's SWOT analysis by searching out information about the environment that specifically affects the marketing plan.

**Set Marketing Objectives—**Marketing managers set objectives specific to the firm's brands, sizes, product features, and other marketing-mix-related elements. The marketing objectives state what the marketing function must accomplish if the firm is to achieve its overall objectives.

**Develop Marketing Strategies—**Marketing managers must make decisions about what activities they must accomplish to achieve the marketing objectives. For example, this means deciding what markets to target and actually developing the marketing-mix strategies.

**Implement and Control the Marketing Plan —**Marketing managers now spend time managing the various elements of the marketing plan. Marketing control requires appropriate marketing metrics, concrete measures of marketing performance. Return on marketing investment (ROMI) refers to a measure of how the investment in marketing has an impact on the firm's success, financially and otherwise. Action plans provide guidance for the implementation and control of the various marketing strategies within a marketing plan.

6. How does operational planning support the marketing plan?

Operational plans focus on the day-to-day execution of the functional plans and include detailed annual, semiannual, or quarterly plans.

7. What are the elements of a formal marketing plan?

The marketing plan is a document that identifies where the organization is now, where it wants to go, how it plans to get there, and who will be responsible for carrying out each part of the marketing strategy. Therefore, the plan outlines the activities included in the planning process. Elements of the plan include a situation analysis (a business review that includes a SWOT analysis), specific strategies and action plans or tactics, selection of target markets, and the elements of the marketing mix: product, price, place, and promotion. Finally, the plan outlines how and by whom it is to be implemented and controlled—including budgets and schedules. Sometimes firms require that marketing plans include contingency plans that should monitor marketing activities to determine which marketing objectives are not being met and what to do about this.

8. What is an action plan? Why are action plans such an important part of marketing planning? Why is it so important for marketers to break the implementation of a marketing plan down into individual elements through action plans?

An action plan assigns responsibilities, time lines, budgets, and measurement and control processes for marketing planning. Action plans are also sometimes referred to as “marketing programs.” The best way to use action plans is by including a separate action plan for each important element involved in implementing the marketing plan. Table 2.3 provides a template for an action plan. This allows for tracking all activities in the action plan and account for investments of time and materials.

9. What is return on marketing investment (ROMI)? How does considering marketing as an investment instead of an expense affect a firm?

ROMI is quantifying just how an investment in marketing has an impact on the firm’s success, financially and otherwise. This activity brings in revenue and therefore can be an investment in future business which has a return on investment unlike an expense that might not have a revenue stream.

10. Give several examples of marketing metrics. How might a marketer use each metric to track progress of some important element of a marketing plan?

A couple of examples are cost of a prospect, referral rate, customer turnover and recognition and recall of the message. Table 2.2 gives a listing of 26 examples of marketing metrics. These metrics allow determination if that action is obtaining the desired outcome. It could be that a lot of money is being spent in one area and there is no activity in that area, it should be evaluated if that activity should be continued.

11. What is corporate culture? What are some ways that the corporate culture of one organization might differ from that of another? How does corporate culture affect marketing decision making?

Corporate culture is made up of the values, norms, and beliefs that influence the behavior of everyone in the organization. Corporate culture may dictate whether new ideas are welcomed or discouraged, the importance of individual ethical behavior, and even the appropriate dress for work. Corporate culture can affect marketing decision making by supporting individuality and creativity as well as risk taking. Risk taking may cause a business to improve its products, its distribution channels, and its promotion programs to remain successful in a competitive environment.

### ► **MARKETING CONCEPTS: DISCUSSING CHOICES AND ETHICAL ISSUES**

1. The Boston Consulting Group matrix identifies products as stars, cash cows, question marks, and dogs. Do you think that it is a useful way for organizations to examine the businesses? What are some examples of products that fit in each category?

The reason for the rather simplistic titles used in the description of the Boston Consulting Group matrix was to make the cells simple to remember and to be somewhat reflective of slang language used to describe companies that might be associated with the different cell areas (losers are often referred to as “dogs” for example). The axis descriptions (market growth rate and relative market share) are useful measures of performance. Examples that might fit into the Boston Consulting Group categories can be found in the text description of the matrix. The students should be encouraged to cite examples from areas that they are familiar with, such as computers and associated software products, music appliances and/or groups, fashion clothing, automobiles, or snack foods/cereals. Be sure to ask students why they placed a particular product into the matrix category. To get a better response to this question, try photocopying a blank BCG matrix and ask the students to fill in the cells before class in a chosen area (such as computer manufacturers or software).

2. In this chapter we talked about how firms do strategic, functional, and operational planning. Yet, some firms are successful without formal planning. Do you think planning is essential to a firm’s success? Can planning ever hurt an organization?

Planning is normally essential to the success of a firm. This is even more evident in the long-run. Even though some firms may initially be successful (such as a dot.com startup in the late 1990s or a small retail establishment with a hot product), history has shown that failure to plan usually spells disaster. Students should be encouraged to discuss how they have been successful with no planning and with planning. What have been the consequences of a failure to plan? Would the students want to work for a company that said up front that it did not believe in planning? Ask students to list reasons that planning could hurt an organization. Items that might appear on their lists may be too much bureaucracy, inability to move quickly, planning doesn’t always mean the plans are sound, plans based on poor information, etc. Be sure to ask for examples to illustrate statements.

3. Most planning involves strategies for growth. But is growth always the right direction to pursue? Can you think of some organizations that should have contraction rather than expansion as their objective? Do you know of any organizations that have planned to get smaller rather than larger in order to be successful?

Begin by asking students if growth is always the right direction. Have students consider the costs associated with growth. These costs might include costs of manufacturing, distribution, and marketing. Can growth cause a greater distance between the company and its customers? How big should cities get? How big should your university or college get? When would benefits suffer from growth? Organizations that have contraction rather than expansion as their goal might include a small specialty retailer or a manufacturer of specialty equipment. In an effort to maintain a high level of quality, service contraction is often desired. Expansion might be the goal when demand for the good or service is not being served by the firm or its competitors.

4. When most people think of successful marketing, internal firm culture doesn't immediately come to mind as a contributing factor. What are some reasons a firm's corporate culture is important to the capability of doing good marketing? Give some examples of what you consider to be a good corporate culture for marketing.

The firm's corporate culture determines much of its internal environment, the values, norms, and beliefs that influence the behavior of everyone in the organization. Corporate culture may dictate whether new ideas are welcomed or discouraged, the importance of individual ethical behavior, and even the appropriate dress code for work.

Good (or bad) marketing is derived from the firm's culture and contains the strategy that has been determined by the firm containing the values, norms and beliefs that firm holds important to their internal environment which will be contained in the marketing plan.

After some discussion, this would be a good question to discuss examples of good corporate cultures in marketing. The students will have examples of good corporate cultures based on personal experience which should result in a lively classroom discussion.

5. Most marketers today feel pressure to measure (quantify) their level of success in marketing planning. Is it easy to measure marketing's success compared to, say, measuring the success of a firm's financial management or production quality? Explain your viewpoint.

This could result in various answers, but one of the most effective means of knowing if a marketing plan is successful is through the use of marketing metrics. Examples of marketing metrics are shown in Table 2.2. The ability to quantify success allows for business decisions to be made regarding changes or effectiveness. The students will probably determine that the marketing measures are much harder to measure since some of the measures are difficult to track and also external to the organization. Finance and production quality are controlled and counted within the firm.

## ►MARKETING PRACTICE: APPLYING WHAT YOU’VE LEARNED

1. Assume that you are the marketing director for a small firm that manufactures educational toys for children. Your boss, the company president, has decided to develop a mission statement. He’s admitted that he doesn’t know much about developing a mission statement and has asked that you help guide him in this process. Write a memo outlining exactly what a mission statement is, why firms develop such statements, how firms use mission statements, and your thoughts on what the firm’s mission statement might be.

As indicated in the text, a mission statement is a formal document that describes the organization’s overall purpose and what it hopes to achieve in terms of its customers, products, and resources. Firms develop mission statements to address such questions as: What business are we in? What customers do we serve? How should we develop our firm’s capabilities and focus our efforts? And what values do we hold dear? The ideal mission statement is not too broad, too narrow, nor too shortsighted. The mission statement would do well to be consumer-oriented rather than product-oriented. If the statement is consumer-oriented, it will most likely avoid the “marketing myopia” pitfall. Students should be careful to address the following issues in their mission statement: market—educational toys for children, product safety and security, value, fashion, durability, and potential expansion possibilities.

2. As a marketing student, you know that large firms often organize their operations into a number of strategic business units (SBUs). A university might develop a similar structure in which different academic schools or departments are seen as separate businesses. Working with a small group of four to six classmates, consider how your university might divide its total academic units into separate SBUs. What would be the problems with implementing such a plan? What would be the advantages and disadvantages for students and for faculty? Present your analysis of university SBUs to your class.

Before undertaking this question, students should carefully review the material in the chapter. Students can use the university or college catalog for reference in determining all the various academic schools or departments. The groups should begin by listing what they perceive to be the primary units within the university or college structure. Note that these combinations are not always easy to identify. Some units perceive themselves to be separate units (for example, computer services may serve the colleges of business, science, engineering, math, etc.). Students can also be asked to apply the BCG growth-market share. Students will surely have different opinions about which areas are growing and which are not. Students will also note that changing organizational structures that are entrenched are difficult at best (if not impossible). Many academic units are very territorial and would be highly resistant to change or budget realignment. Be willing to give some advice on the difficulties of such a change because most students will not be aware of the politics present in most universities and colleges. Speculate on the advantages and disadvantages. For example, budgets could perhaps be reduced with certain alignments, faculty might also be reduced (a difficult task in itself), resources could be channeled toward growth areas, or new innovative curricula could be tried (although outdated areas would probably be forced out). Lastly, ask students if such a change would move the university or college toward a customer-centered approach or a product-centered approach.



3. An important part of planning is a SWOT analysis, understanding an organization's strengths, weaknesses, opportunities, and threats. Choose a business in your community with which you are familiar. Develop a brief SWOT analysis for that business.

Prior to casting the students out on the unsuspecting business public, review the definitions of the SWOT components found in the text and ask the students to carefully review the sample SWOT found in Table 2.1. Each student should also be prepared to defend what he or she perceives as a strength, weakness, opportunity, or threat. If logistics prove to be a problem, try using Web sites as an alternative to actually visiting businesses. You may have to formulate special rules; however, this alternative is a workable solution.

4. As an employee of a business consulting firm that specializes in helping people who want to start small businesses, you have been assigned a client who is interested in introducing a new concept in health clubs—one that offers its customers both the usual exercise and weight training opportunities and certain related types of medical assistance such as physical therapy, a weight loss physician, and diagnostic testing. As you begin thinking about the potential for success for this client, you realize that developing a marketing plan is going to be essential. In a role-playing situation, present your argument to the client as to why she needs to invest in formal marketing planning.

You might begin this exercise by inviting a guest speaker specializing in local research. This expert may come from a campus department such as a bureau of research, biometry or statistics, or from a commercial business. The guest speaker might discuss trends at the local and national level, sources of secondary research pertinent to the issue, techniques for finding the best resources, etc. In addition, the guest speaker should be prepared to help students find sources of information regarding the economic, competitive, technological, legal, and sociocultural environment.

## ► **MARKETING MINIPROJECT: LEARNING BY DOING**

The purpose of this miniproject is to gain an understanding of the marketing planning through actual experience.

1. Select one of the following for your marketing planning project:
  - Yourself.
  - Your university.
  - A specific department in your university.
2. Next, develop the following elements of the marketing planning process:
  - A mission statement.
  - A SWOT analysis.
  - Objectives.

- A description of the target market(s).
  - A positioning strategy.
  - A brief outline of the marketing mix strategies—the product, pricing, distribution, and promotion strategies—that satisfy the objectives and address the target market.
3. Prepare a brief outline of a marketing plan using the template provided at the end of this chapter as a guide.

This project will help students start to think about marketing in a practical sense. They will gain experience formulating a plan, learning how each part is dependent upon another.

If the student chooses to focus on him/herself, they will gain some introspection and perhaps direction for the future. In fact, the student may want to build on this exercise throughout the term, preparing for earning a job after graduation.

### ► **REAL PEOPLE, REAL SURFERS: EXPLORING THE WEB**

Visit the homepages of one or more of the firms you are interested in. Follow the links to find out about the company's products, pricing, distribution, and marketing communications strategies. Do a search of the Web for other information about the company. Based on your findings, answer the following questions:

1. What is the organization's business? What is the overall purpose of the organization? What does the organization hope to achieve?

This may not be readily obvious. Students should carefully explore the information provided by the company. Be sure to explain how the answers were derived. Did the answer come from a specific company statement or was the answer based on a supposition?

2. What customers does the business want to serve?

In some instances this is an easy question (depending on which company has been chosen). However, in others the answer is not so obvious, for example, does Mattel, the toymaker, want to appeal to children, to mothers, to grandparents, or to all.? Students should categorize customers with respect to primary, secondary, and tertiary market interest.

3. What elements of the Web page specifically reflect the business of the organization? How is the Web page designed to attract the organization's customers?

Students should not only look at the graphics but also take notice of the language (words) used to describe the Web site. Additionally, some Web sites will have special sections for particular customers (such as a teen page, a contributor page, or a page for the elderly). What role does the color used on the opening Web page match to the desired target audience(s)?

4. Do you think the marketing strategies and other activities of the firm are consistent with its mission? Why do you feel this way?

This is an impression question. However, the impression should be explained and justified. Ask students to relate a specific part of the mission statement to their strategy explanations. It is probably worthwhile to give an example before the exercise begins. For example, notice how little the AT&T mission statement says about communication. However, obviously communication is one of the activities undertaken by the company. Pfizer, Inc., on the other hand, clearly designates itself as a research-based company. Therefore, research would be a core strategy undertaken by this company (you will find evidence of this on the company's Web site).

5. Develop a report based on your findings and conclusions about the firm. Present your report to your class.

### ►MARKETING PLAN EXERCISE

The airline industry has experienced a lot of turbulence in recent years that inhibits its ability to plan for the future. Pick your favorite airline and help it plan by doing the following:

1. See if you can locate its mission statement, then develop a few marketing objectives that you believe would nicely support it.

Students might be directed to the Web site or a corporate annual report. Remind the students that the marketing objectives state what the marketing function must accomplish if the firm is ultimately to achieve its overall objectives.

2. Take a look at Figure 2.4, the product-market growth matrix, and the accompanying discussion. How might your chosen airline go about developing some strategies in each of the boxes: penetration, market development, product development, and diversification? (Hint: Remember that airlines are in the business of providing a service. Most likely the strategies you come up with will entail adding new or modified services in their targeted markets.)

The students should actually draw the matrix and fill-in the boxes. They should begin this process by brainstorming and then later refine some of their original ideas. The students should consider the state of the economy as well as the state of their own business. The culture of the organization should be considered.

3. Considering the strategies you identified in question 2, identify some specific marketing metrics that are appropriate for use in control.

This will be dependent on the growth strategies that the student chose in question 2. The focus will typically be on expansion of services or new service offerings. They might tie in personal experiences on what is viewed as important for the metrics, such as on time departure or loss of luggage percentages. They could then elaborate on how they would take corrective action to control these situations.

## **V. MARKETING IN ACTION CASE: REAL CHOICES AT NEOMEDIA TECHNOLOGIES**

### **Summary of Case**

Qode's parent company, NeoMedia Technologies, Inc started in the late 1980's as a systems integration company. In the late 1990's, a unit of NeoMedia called PaperClick was created, with a focus on secure documents and linking paper documents to Web content. Today, the PaperClick brand has evolved into a solution called "Qode" (pronounced "code"). Qode leverages mobile platforms and allows marketers to deliver the best content to the right person at the right time—at the time the consumer is actually interacting with the product or promotion. This is accomplished on a cell phone by simply entering a keyword or clicking a SmartCode through which the consumer is automatically linked to the marketer's Web content. A SmartCode is a barcode that both machines and humans can read. The same code or keyword can deliver different content to different consumers based on their gender, age, language preference, country, time-of-day, phone type, and carrier — true one-to-one marketing messages. The current technology allows consumers to view information on products with Universal Product Code (UPC) labels. Because bar codes can be placed on almost anything, the technology potentially can be applied to almost anything. The Qode software also can be launched from an icon to take a picture of the UPC code, which will link to the product's Web site so more product information can be obtained. The current competition does not have UPC recognition, but has software that reads product images and logos.

### **Suggestions for Presentation**

This case could be assigned for various out-of-class or in-class discussion activities.

#### **Out of class**

Compare and contrast the strengths and weaknesses of UPC recognition, product image recognition and logo recognition.

Research the numerous companies that are currently developing similar capabilities and determine their position in the marketplace. Currently they include Scanbuy Shopper, ConnexTo and Semacode.

Have the students list what they perceive as strengths and weaknesses from a marketing perspective that should be considered when adding capabilities to cellular phones.

#### **In class**

In groups or as individuals, discuss the marketing strategy that NeoMedia should consider as their strategy for Qode, considering what the current competition might include.

Develop a brainstorming exercise that would investigate additional future capabilities that might be foreseen by the students that would add functionality to cellular phones.

Discuss if this technology is desirable knowing that a wireless Internet connection is required and would increase costs to the consumer.

### **Suggested Answers for Discussion Questions**

#### **1. What is the decision facing Qode?**

Students may come up with a number of different decisions that Qode might make. The key, however, is stated at the beginning of paragraph four of the case.

- Qode needs to develop a detailed marketing plan that 1) includes an examination of the external environment, specifically its competitive, economic, legal, sociocultural, and technological environments, 2) identifies Qode's real customer and 3) includes appropriate marketing objectives.

#### **2. What factors are important in understanding this decision situation?**

The following factors are important in understanding this decision situation:

- Qode cell phone software allows consumer to use the camera feature of their phone to look up information about virtually anything that has a UPC. The UPC links the phone to the Internet where the consumer can browse the product's Web site.
- The products that have bar codes or could have bar codes range from textbooks to paintings in museums to tourist attractions—almost anything.
- The new Qode technology can expand cellular phone companies' user base through satisfaction.
- This new technology is already facing competition from competitors such as Scanbuy Shopper, ConnexTo and Semacode; more will follow this new trend.

#### **3. What are the alternatives?**

Students might recommend a variety of different marketing strategies. Some possibilities are:

- Market the product to cell phone manufacturers who can pre-install the software on the phones as they are produced.
- Market the product to consumers who can select the software as an option to install when they purchase the phone from a phone service provider.
- Market the product to both cell phone manufacturers and to consumers.
- Utilize the steps in developing a marketing strategy as outlined in chapter two that includes an understanding of the internal and external environments.
- Because pricing is a major consideration for NeoMedia, the company must develop Qode pricing that is within alignment of competing capabilities and increased costs for this type of service.

- Develop marketing communications that capitalize on this technology's ability to read bar codes, while the competitors' products read product images and logos. This might be enough to bolster the company ahead of the competition if the differences are understood.
- Monitor on a continual basis the market position and pricing in relationship to competition and capabilities.
- Develop an aggressive marketing strategy that includes both short term and long-term objectives.

#### **4. What decision(s) do you recommend?**

Students may focus on several of the alternatives developed. They should be encouraged to discuss which alternative actions are more critical.

#### **5. What are some ways to implement your recommendations?**

Students may make a variety of suggestions for implementation depending on their recommendations. These may include specific promotional activities, specific pricing, research activities and many others.

## **VI. ADDITIONAL OUTSIDE PROJECTS, ASSIGNMENTS AND EXAMPLES**

These assignments can be used in many ways: homework assignments, critical thinking assignments, web-based research assignments, individual assignments, and/or group assignments.

### **►STUDENT PROJECTS**

1. Divide the students into groups. Assign each group an industry and require the students to choose seven businesses within that industry. Ask the students to search the Internet for the strategic plan or mission statement for each of the seven businesses.
  - Discuss reasons businesses may or may not include this information in their Web site.
  - Does it seem as though some industries are more likely than others to publish their plans or mission statements?
  - Why or why not?
  - How many clicks did it take to find the strategic plan or mission statement?
  - What can you infer from the effort it takes to find this information?
  - Discuss the various mission statements and what they mean to the students.
  - Critique the strategic plans.
2. Interview five recent graduates of your university who have been successful gaining employment and ask the following questions:
  - What was your strategy for finding employment?

- Did you have a marketing plan for yourself?
  - Did you think about the marketing 4 Ps when looking for a job? If the answer is yes, in what ways?
  - What were the key elements of your strategy that made you successful when seeking employment?
  - Did you modify your original strategy?
  - Did you have a mission statement?
3. Design a marketing plan for a shampoo sold in a retail store and a shampoo sold in a salon. Assume the products are different brands. Answer the following questions:
- Even though the product category is the same, how does the marketing plan differ for each brand?
  - What assumptions did you make prior to writing the plan?
  - Did you need to establish marketing objectives before writing the plan?
  - Are the target markets the same or different?
  - How did you determine a positioning strategy?
4. Draw the product-market growth matrix. Pick an existing product and an existing target market. Based on your selection:
- Modify either or both elements and indicate the appropriate growth category.
  - Which growth strategy seems the most practical for your product and or target market?
  - Can you create more than one reasonable alternative for each quadrant?
  - What factors would help you decide which quadrant has the most potential?

## ASSIGNMENTS

### ► SMALL GROUP ASSIGNMENTS

1. Visit the NASA Web site: <http://www.hq.nasa.gov/office/nsp/> and the U.S. Climate Change site <http://www.climatechange.gov/Library/stratplan2003/>. Discuss why agencies of the U.S. government have made their strategic plan public. Analyze the plans.
2. Form the class into small groups. Ask each group to pick a favorite, successful television show. Answer the following questions:
  - What has made the show successful?
  - Who is the show's primary target audience?
  - What are the objectives of the network broadcasting the show?
  - How could the external environment impact the show?

## ►INDIVIDUAL ASSIGNMENTS

1. Ask the students to scan the local, national, and international news, looking for situations in the environment that may cause industries to modify their strategic plans. Students should report on demographic and economic forces, political and legal forces, technological and ecological forces, and social and cultural forces.
  - Discuss in class how these environmental shifts will cause various industries to depart from original plans.
  - Discuss how plans can be devised to readily adapt to environmental changes.
  - Ask the students to consider the corporate culture of an organization they are involved in.

The students should then:

- Describe the corporate culture, recognizing elements that contribute to the health or growth of the organization and those that might be modified to assist in the well-being of the organization.
- Evaluate whether or not risk-taking is encouraged.
- Discuss the focus of the organization. Is profit the main motivator for growth?

## ►THINK-PAIR-SHARE

1. Mountain Dew recently introduced Mountain Dew, Pitch Black, a grape-flavored version of their original soda. What product-market expansion grid strategy is being used?
2. Describe the corporate culture of the college/university you are attending. Does the culture differ within various populations such as the residence hall life, the business office, the various academic departments, etc.? Does the college/university emphasize guidelines for an overarching culture?
3. How could a mission statement and formal marketing plan prepare you for life after college?

## ►OUTSIDE EXAMPLES

1. When the giant retailer, Wal-Mart, decides to open a store in a new location, controversy can occur. This controversy often centers around the impact on the external environment. Small towns, in particular, wonder whether they will be able to survive the potential loss of business, community leaders wonder if the culture will change. Many articles have been written expressing opinion and fact about how bringing a Wal-Mart to town could change the community.



Conduct an Internet search for news articles describing the potential changes in the external environment as Wal-Mart moves to town. Write a report, outlining the potential changes in the external environment. Make sure to cite your sources.

2. According to Canon's Web site [www.canon.com](http://www.canon.com), Canon's founding mission was to build a company that created high-quality cameras. Canon realized this dream in 1936 when it released the Hansa Canon, the first 35mm focal-plane shutter camera. During the ensuing 60 years, Canon's technological strengths have helped the company become a leading digital imaging and networking company and a dominant force in personal and office printers, copiers, controllers, and fax machines. Canon also has applied innovative skills in environmental technologies, as well as medical, semiconductor, and broadcasting equipment.

Review Canon's Web site and note the many products now sold by the company. What product-market growth strategies has Canon used since 1936? Describe the various target markets served by Canon.

3. A group of college students decide they want to go into business and earn some pocket change. Because this is their first business, they decided to work with what they know. They know that their target market will be their peers or college students. They just took a marketing class and studied purchasing trends and fads. Popular on campus are ankle bracelets. One of the students has a resource for buying material for the bracelets at a greatly reduced price. Another group member insists that the bracelets be personalized. Buying the material for personalizing the bracelets nearly doubles the cost of the bracelets sold at the nearby mall. The group decided that the personalized bracelets were a novel idea and worth the extra cost. They felt confident that college students would pay the higher cost to have the bracelet tailored to their individual personality. The group has decided to go ahead with the business.

You have just studied Chapter 2 and have learned about strategic planning. What advice do you have for your friends? What information would you encourage them to consider before investing in this business? Write a brief marketing plan for the product.