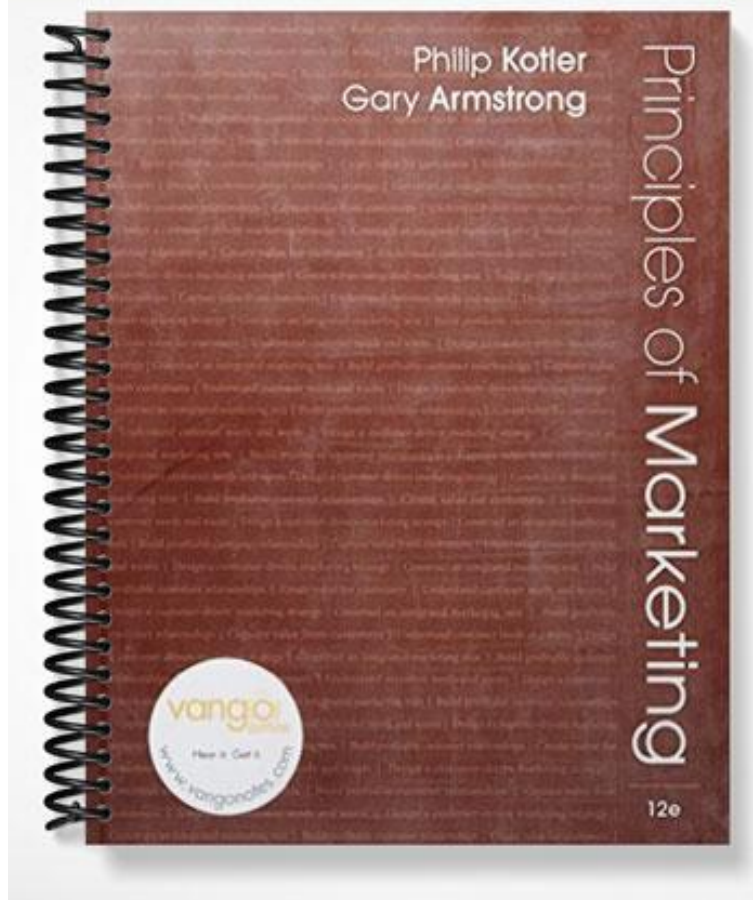


SOLUTIONS MANUAL



Chapter 2

Company and Marketing Strategy: Partnering to Build Customer Relationships

Learning Objectives

1. Explain companywide strategic planning and its four steps.
2. Discuss how to design business portfolios and develop growth strategies.
3. Explain marketing's role under strategic planning and how marketing works with its partners to create and deliver customer value.
4. Describe the elements of a customer-driven marketing strategy and mix, and the forces that influence it.
5. List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing return on marketing.

Chapter Overview

To meet changing conditions in their industries, companies need to look ahead and develop long-term strategies. Strategic planning involves developing a strategy to meet competition and ensure long-term survival and growth. The marketing function plays an important role in this process in that it provides information and other inputs to help in the preparation of the organization's strategic plan.

Strategic planning is described as the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities. Strategic planning sets the stage for the rest of the planning in the firm. Formally, strategic planning consists of developing a company mission (to give it direction), objectives and goals (to give it means and methods for accomplishing its mission), a business portfolio (to allow management to utilize all facets of the organization), and functional plans (to carry out daily operations from the different functional disciplines). Because most companies are interested in growth, this chapter explores several growth alternatives within the context of strategic planning and portfolio analysis. The product/market expansion grid shows four avenues for growth: market penetration, market development, product development, and diversification.

No matter how well the strategic planning process has been designed and implemented, success depends on how well each department performs its customer-value-adding activities and how well the departments work together to serve the customer. Value chains and value delivery networks have become popular with organizations that are sensitive to the wants and needs of consumers. The marketing department (because of its ability to stress the customer's view) has become central in the implementation of most strategic plans. Connecting to customers is central to this process.

As a means of discussing the marketing process, this chapter carefully outlines and discusses the steps in the process, the marketing plan and its component parts, the marketing mix variables and their relationship to planning, the management of the planning process, how marketing departments are organized, how plans are implemented, and how marketing managers attempt to control the process. One of the secrets to success within the context of the marketing process is how the company watches and adapts to the changing marketing and competitive environment.

Chapter Outline

1. Introduction

- a. Now one of the best-known brand symbols, Nike is far different today from the brash young start-up company of 40 years ago.
- b. In its earlier days, Nike's image relied on passion, performance, and an anti-establishment rebelliousness.
- c. By the 1990s, Nike became so big that it *was* the establishment. With the critical cool factor gone, Nike's growth suffered.
- d. Nike's marketing strategy has matured. Marketing dollars are spent much more carefully to balance the creative and business sides.
- e. Additionally, Nike has overhauled its supply chain, focused on international growth, and allowed acquired brands to flourish independently.

2. Companywide Strategic Planning: Defining Marketing's Role

- a. The hard task of selecting an overall company strategy for long-run survival and growth is called strategic planning.
- b. Strategic planning is the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing market opportunities.
- c. Strategic planning sets the stage for the rest of the planning in the firm. Companies usually prepare annual plans, long-range plans, and strategic plans.
- d. Figure 2.1 shows the steps in the strategic planning process.

Use **Chapter Objective 1** here.
Use **Key Term *Strategic Planning*** here.
Use **Figure 2.1** here.
Use **Discussing the Concepts 1** here.

Defining a Market-Oriented Mission

- e. Many organizations develop formal mission statements. A mission statement is a statement of the organization's purpose—what it wants to accomplish in the larger environment.
- f. A clear mission statement acts as an “invisible hand” that guides people in the organization.

- g. A market-oriented mission statement defines the business in terms of satisfying basic customer needs.
- h. Table 2.1 provides several examples of product-oriented versus market-oriented business definitions.
- i. Management should avoid making its mission too narrow or too broad. Missions should be realistic, be specific, fit the market environment, be based on the company's distinctive competencies, and be motivating.

Use **Key Term** *Mission Statement* here.

Use **Table 2.1** here.

Use **Applying the Concepts 1** here.

Use **Focus on Ethics** here.

Setting Company Objectives and Goals

- j. The company's mission needs to be turned into detailed supporting objectives for each level of management.
- k. The mission leads to a hierarchy of objectives, including business objectives and marketing objectives.
- l. Marketing strategies and programs must be developed to support these marketing objectives.

Designing the Business Portfolio

- m. A business portfolio is the collection of businesses and products that make up the company. The best portfolio is the one that best fits the company's strengths and weaknesses to opportunities in the environment.
- n. The major activity in strategic planning is business portfolio analysis, whereby management evaluates the products and businesses making up the company.
- o. A strategic business unit (SBU) is a unit of the company that has a separate mission and objectives and that can be planned independently from other company businesses.
- p. The next step in business portfolio analysis calls for management to assess the attractiveness of its various SBUs and decide how much support each deserves.
- q. Most standard portfolio-analysis methods evaluate SBUs on two important dimensions—the attractiveness of the SBU's market or industry and the strength of the SBU's position in that market or industry.
 - i. The best-known portfolio-planning method was developed by the Boston Consulting Group.
 - ii. Figure 2.2 shows the BCG growth-share matrix approach. This matrix defines four types of SBUs: stars, cash cows, question marks, and dogs.
 - iii. Once it has classified its SBUs, the company must determine what role each will play in the future. The company can invest more in the business unit in order to grow its share. It can invest just enough to hold the SBU's share at the current level. It can harvest

the SBU, milking its short-term cash flow regardless of the long-term effect. Or it can divest the SBU by selling it or phasing it out and using resources elsewhere.

Use **Key Terms** *Business Portfolio, Portfolio Analysis, Growth-Share Matrix* here.

Use **Figure 2.2** here.

Use **Discussing the Concepts 2** here.

- r. Portfolio-analysis approaches have limitations.
 - i. They can be difficult, time-consuming, and costly to implement.
 - ii. Management may find it difficult to define SBUs and measure market share and growth.
 - iii. These approaches focus on classifying current businesses but provide little advice for future planning.
- s. Because of such problems, many companies have dropped formal matrix methods in favor of more customized approaches that are better suited to their specific situations.

Use **Real Marketing 2.1** here.

- t. Designing the business portfolio involves finding businesses and products the company should consider in the future.
- u. Marketing has the main responsibility for achieving profitable growth for the company. Marketing must identify, evaluate, and select market opportunities and lay down strategies for capturing them. The product/market expansion grid is shown in Figure 2.3.
 - i. Market penetration involves making more sales to current customers without changing its products.
 - ii. Market development involves identifying and developing new markets for its current products.
 - iii. Product development is offering modified or new products to current markets.
 - iv. Diversification is where a company starts up or buys businesses outside of its current products and markets.
- v. Companies must also develop strategies for downsizing their businesses.

Use **Chapter Objective 2** here.

Use **Discussing the Concepts 3** here.

Use **Focus on Technology** here.

Use **Key Terms** *Market Penetration, Market Development, Product Development, Diversification, Downsizing, Product/Market Expansion Grid* here.

Use **Figure 2.3** here.

Use **Real Marketing 2.1** here.

- 3. Planning Marketing: Partnering to Build Customer Relationships**
- a. Within each business unit, more detailed planning takes place. The major functional departments in each unit must work together to accomplish strategic objectives.
 - b. Marketing provides a guiding philosophy—the marketing concept—that suggests that company strategy should revolve around building profitable relationships with important customer groups.
 - c. Marketing provides inputs to strategic planners by helping to identify attractive market opportunities and by assessing the firm’s potential to take advantage of them.
 - d. Marketing designs strategies for reaching the unit’s objectives.

Partnering with Other Company Departments

- e. Each company department can be thought of as a link in the company’s value chain. Each department carries out value-creating activities to design, produce, market, deliver, and support the firm’s products.
- f. A company’s value chain is only as strong as its weakest link. Success depends on how well each department performs its work of adding customer value and on how well the activities of various departments are coordinated.
- g. In practice, departmental relations are full of conflicts and misunderstandings.

Partnering with Others in the Marketing System

- h. The firm needs to look beyond its own value chain and into the value chains of its suppliers, distributors, and ultimately, customers.
- i. More companies today are partnering with other members of the supply chain to improve the performance of the customer value-delivery network.
- j. Increasingly, today’s competition no longer takes place between individual competitors. Rather, it takes place between the entire value-delivery networks created by these competitors.

Use **Chapter Objective 3** here.
Use **Key Terms** *Value Chain, Value-Delivery Network* here.
Use **Applying the Concepts 2** here.

- 4. Marketing Strategy and the Marketing Mix**
- a. Marketing’s role and activities are show in Figure 2.4; it summarizes the major activities involved in managing marketing strategy and the marketing mix.
 - b. Marketing strategy is the marketing logic by which the company hopes to achieve these profitable relationships.

Use **Key Terms** *Marketing Mix, Marketing Strategy* here.
Use **Figure 2.4** here.

Customer-Driven Marketing Strategy

- c. Companies know that they cannot profitably serve all consumers in a given market—at least not all consumers in the same way.
- d. The process of dividing a market into distinct groups of buyers with different needs, characteristics, or behavior who might require separate products or marketing programs is called market segmentation.
- e. A market segment consists of consumers who respond in a similar way to a given set of marketing efforts.
- f. Market targeting involves evaluating each market segment's attractiveness and selecting one or more segments to enter. A company should target segments in which it can profitably generate the greatest customer value and sustain it over time.
- g. A product's position is the place the product occupies relative to competitors in consumers' minds. Marketers want to develop unique market positions for their products.
- h. Market positioning is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target customers. Positioning thus establishes differentiation.
- i. In positioning its product, the company first identifies possible competitive advantages upon which to build the position. To gain competitive advantage, the company must offer value to target consumers.

Use **Key Terms** *Market Segmentation, Market Segment, Market Targeting, Positioning, Differentiation* here.
Use **Real Marketing 2.2** here.
Use **Applying the Concepts 3** here.

Developing an Integrated Marketing Mix

- j. The marketing mix is the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market. This is described in Figure 2.5.
- k. Product means the goods-and-services combination the company offers to the target market.
- l. Price is the amount of money customers have to pay to obtain the product.
- m. Place includes company activities that make the product available to target consumers.
- n. Promotion means activities that communicate the merits of the product and persuade target customers to buy it.
- o. An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering value to consumers.
- p. Some critics feel that the 4 Ps may omit or underemphasize certain important activities.
- q. From the buyer's viewpoint, in this age of customer relationships, the 4 Ps might be better described as the 4 Cs: customer solution, customer cost, convenience, and communication.

Use **Chapter Objective 4** here.
Use **Figure 2.5** here.
Use **Discussing the Concepts 4** here.

5. Managing the Marketing Effort

- a.** Managing the marketing process requires the four marketing management functions shown in Figure 2.6.

Use **Figure 2.6** here.

Marketing Analysis

- b.** Managing the marketing function begins with a complete analysis of the company's situation.
- c.** The company must analyze its markets and marketing environment to find attractive opportunities and avoid environmental threats.
- d.** Marketers should conduct a SWOT analysis; it must analyze company strengths and weaknesses as well as current and possible marketing actions to determine which opportunities it can best pursue and threats it can confront.

Marketing Planning

- e.** Marketing planning involves deciding on marketing strategies that will help the company attain its overall strategic objectives.
- f.** A detailed marketing plan is needed for each business, product, or brand.
- g.** Table 2.2 outlines the major sections of a typical product or brand plan.
- h.** A marketing strategy consists of specific strategies: target markets, positioning, the marketing mix, and marketing expenditure levels.

Use **Table 2.2** here.
Use **Figure 2.7** here.

Marketing Implementation

- i.** Marketing implementation is the process that turns marketing plans into marketing actions in order to accomplish strategic marketing objectives. Implementation involves day-to-day, month-to-month activities that effectively put the marketing plan to work.
- j.** In an increasingly connected world, people at all levels of the marketing system must work together to implement marketing strategies and plans.
- k.** Successful marketing implementation depends on how well the company blends its people, organizational structure, decision and reward systems, and company culture into a cohesive action program that supports its strategies.
- l.** Finally, to be successfully implemented, the firm's marketing strategies must fit with its company culture—the system of values and beliefs shared by people in the organization.

Use **Key Term *Marketing Implementation*** here.
Use **Discussing the Concepts 5** here.

Marketing Department Organization

- m. The company must design a marketing organization that can carry out marketing strategies and plans.
- n. The most common form of marketing organization is the functional organization. Under this organization, different marketing activities are headed by a functional specialist.
- o. A company that sells across the country or internationally often uses a geographic organization.
- p. Companies with many very different products or brands often create a product management organization. A product manager develops and implements a complete strategy and marketing program for a specific product or brand.
- q. For companies that sell one product line to many different types of markets and customers that have different needs and preferences, a market or customer management organization might be best. A market management organization is similar to the product management organization. Market managers are responsible for developing marketing strategies and plans for their specific markets or customers.
- r. Large companies that produce many different products flowing into many different geographic and customer markets usually employ some combination of the functional, geographic, product, and market organization forms.
- s. Many companies are finding that today's marketing environment calls for less focus on products, brands, and territories and more focus on customers and customer relationships. More and more companies are shifting their brand management focus toward customer management.

Marketing Control

- t. Marketing control involves evaluating the results of marketing strategies and plans and taking corrective action to ensure that objectives are attained.
- u. Operating control involves checking ongoing performance against the annual plan and taking corrective action when necessary. Its purpose is to ensure that the company achieves the sales, profits, and other goals set out in its annual plan.
- v. Strategic control involves looking at whether the company's basic strategies are well matched to its opportunities. A major tool for such strategic control is a marketing audit. This is a comprehensive, systematic, independent, and periodic examination of a company's environment, objectives, strategies, and activities to determine problem areas and opportunities.

Use **Key Terms *Marketing Audit, Marketing Control*** here.

- 6. Measuring and Managing Return on Marketing Investment**
- a. Marketing managers must ensure that their marketing dollars are being well spent.
 - b. Many companies now view marketing as an investment rather than an expense.
 - c. Marketers are developing better measures of return on marketing investment; that is, the net return from a marketing investment divided by the costs of the marketing environment. It measures the profits generated by investments in marketing activities.
 - d. A company can assess return on marketing in terms of standard marketing performance measures, such as brand awareness, sales, or market share.
 - e. Increasingly, though, marketers are using customer-centered measures of marketing impact, such as customer acquisition, customer retention, and customer lifetime value.
 - f. Figure 2.7 views marketing expenditures as investments that produce returns in the form of more profitable customer relationships.

Use **Key Term** *Return on Marketing Investment* here.

Use **Chapter Objective 5** here.

Use **Figure 2.8** here.

Use **Discussing the Concepts 6** here.

END OF CHAPTER MATERIAL

Discussing the Concepts

1. There are the four major steps in strategic planning. Why is it important for a marketer to perform these steps in order?

Students may become familiar with the four steps but not take the energy to piece them together and understand the flow. This is a good time to talk about “fit” between the business unit strategy and the overall company mission. A nice example is always McDonalds. With its company mission now geared toward supporting a healthier lifestyle, it must make product choices that lead to a healthier menu, including the addition of salads and fruit. The overall company mission guides product decisions.

This is also a good time to reinforce the importance of setting objectives. Objectives guide functional decisions. If a company has a marketing objective to increase sales by a certain percentage in a new target segment, then the marketing function will be able to design advertising and distribution strategies to increase consumer interest in purchasing the new product and to make the product available in stores.

2. The BCG growth-share matrix identifies four classifications of SBUs: stars, cash cows, question marks, and dogs. Briefly discuss why management may find it difficult to dispose of a “question mark.”

This is a difficult decision. The organization sees that the question mark is in a high-growth market (category and sector dependent) but has a low relative market share. Should it invest or dispose of the SBU? Does the organization “bet” on the expectation of future returns by investing in the question mark? Can it turn the question mark SBU into a star SBU by investing cash and other organizational resources, or will the question mark SBU become a dog SBU? Many organizations will choose to invest in current stars rather than live with the uncertainty of investing in a question mark.

3. Discuss the differences between the four growth strategies identified in the product/market expansion grid. Which option would a smaller company be pursuing if it decided to enter an existing market served by many large, well-known competitors? Assume that the product being introduced by this smaller company is a new offering for the organization, but that this new product offers a number of unique features.

The four product/market expansion grid strategies include:

- *Market penetration—a company attempts to make more sales to current customers without changing its products.*
- *Market development—a company identifies and develops new markets for its current products.*
- *Product development—a company modifies products or creates new products and offers them to current markets.*
- *Diversification—a company starts up or buys businesses outside of its current products and markets.*

The small company is pursuing a product development growth strategy.

4. Does the “4 Ps” marketing mix framework do an adequate job of describing marketer responsibilities in preparing and managing marketing programs? Why? Do you see any issues with this framework in relation to service products?

Students will most likely agree that the 4 Ps framework does describe the general areas of responsibility of the marketer.

When asked why, students should realize that the 4 Ps framework encompasses and accurately describes the tactical tools the marketer has at his/her disposal to respond to the demands of the target market for the firm’s product.

The chapter discusses the point that the marketing mix 4Ps framework may not capture the differences between physical products or goods on the one hand and intangible services and ideas on the other. However, the chapter suggests that it

is not the number of Ps that's important, but how they are used to prepare well thought-out operational programs that achieve stated goals.

5. What is the importance of marketing implementation? How might a company have excellent planning and poor implementation?

Marketing implementation turns marketing plans into marketing actions. It involves the daily activities that combine to achieve marketing goals and objectives.

Students will mention many ways in which a company can have excellent planning and poor implementation. Here are a few to consider:

- *Different managers in the two roles, one in planning who is competent and one in implementation who is not competent.*
- *A company might outsource its implementation, perhaps a coupon mailing for instance, and not choose a qualified agency for the promotion.*
- *If planning and implementation are the responsibility of one manager, this manager might be a great idea person and be great at planning but not have the detail skills necessary to fulfill daily functions.*
- *A company might not budget correctly and may run out of money during implementation.*
- *A member in the value delivery network, a retailer for instance, may go out of business and this would affect a company's implementation plans.*

6. What is return on marketing? Why is it difficult to measure?

Return on marketing is the net return from a marketing investment divided by the costs of the marketing investment.

It is difficult to measure due to lack of measurement tools. In addition, many performance measures other than sales are important, including brand awareness, advertising impact, and customer lifetime value.

Applying the Concepts

1. In a small group, discuss whether the following statement from Burton Snowboards North America, manufacturers and marketers of a leading snowboard brand, meet the five criteria of a good mission statement: "Burton Snowboards is a rider-driven company solely dedicated to creating the best snowboarding equipment on the planet."

Yes, Burton does a fine job in presenting a mission statement for its snowboarding equipment division.

The five mission statement criteria are:

- *Market oriented: Burton is focused on meeting customer needs.*
- *Realistic: Burton's use of "planet" is somewhat overstated.*
- *Specific: best snowboarding equipment.*
- *Motivational: Burton's is much more motivating than many other mission statements.*
- *Consistent with the market environment: Burton's statement has an edginess about it that is appealing and appropriate for this market.*

2. A company's value chain and value-delivery network are critical to its success. Describe how Reebok relies on its value chain. Sketch Reebok's value-delivery network and highlight the importance of each member in the network.

In terms of the value chain, students might mention how Reebok relies on purchasing to get the best materials at reasonable prices, how operations helps to move finished product from the factories to the retailers, and how the finance department manages the economics of the entire company. Students should also be pushed to mention human resource's recruiting and hiring policies, the legal department's watchful eye, and the importance of information systems building and maintaining systems.

Students might have a bit of difficulty with the value-delivery network. They should start with suppliers and realize the importance of providing quality raw materials and on-time delivery. The distributors should include all the retailers, online and brick and mortar, and the importance that they stock, display, and price the product in conjunction with the company's expectations.

3. Both Wal-Mart and Target sell merchandise at lower prices with lower margins and higher volumes. Based on your experience with these two retailers and visits to each of their Web sites, describe how the two discount store chains differ in their market segmentation, market targeting, and market positioning strategies.

Students will realize that the process of market segmentation is similar for both companies. It might appear that Target delves a bit deeper into segmentation and finds a group that is very interested in design. Students might disagree as to whether the retailers target the same segments—they might comment that Target looks to a slightly higher socioeconomic group. The biggest difference between these retailers is their positioning. Walmart wants to be known for its everyday low prices, whereas Target positions itself more on design and style.

Focus on Technology

Visit the Web sites of several car manufacturers and you will see the technological innovations and additions offered in today's vehicles. From navigation systems to audio enhancements and DVD systems, these technologies are enhancing today's cars. Microsoft, known mostly for its computer operating systems, has been working with Fiat to develop a new "infotainment" system known as Blue&Me. Currently offered only in limited Fiat models, the system integrates mobile phones, MP3 players, and an Internet connection through controls on the steering wheel. The new technology will also contain a navigation system, weather and traffic forecasts, and antitheft devices.

1. According to the product/market expansion grid, which strategy best describes Microsoft's expansion into automobile applications?

This is a nice example of market development. Microsoft has taken its software and developed systems for automobile manufacturers. Some students might argue this is diversification, since these "new" products have been designed for the new market. There can be a healthy debate as to whether these are truly new products or if there are just changes in the technology that adapt the existing products for new uses.

2. Why is Fiat an important member of Microsoft's value delivery network?

Fiat is very important to Microsoft. The two companies are working together in the development of the software. Fiat has a good understanding of what the customer wants in its vehicles. It is giving Microsoft the opportunity to build its automobile strategic business unit. Microsoft will later be able to market the system to other automobile manufacturers.

3. Describe why this advanced technology is important to Fiat in terms of positioning its products.

Microsoft is equally important to Fiat. As a high-end manufacturer, Fiat is constantly looking to provide enhancements to its vehicles that will differentiate its high-end cars from other cars on the market.

Focus on Ethics

Tyson Foods, Inc., has been a leading provider of poultry products for more than 60 years. Its corporate mission statement includes a set of core values that clearly state the importance of being a faith-friendly company and honoring God. Internally, Tyson connects with its employees and has placed 128 part-time chaplains in 78 plants across the United States. But Tyson also wants to send its faith-friendly message to consumers. To reinforce its "Powered by Tyson" campaign, it has recently

begun to offer free downloadable prayer books on its Web site. According to Tyson, it provides these books to help consumers discover (or rediscover) the joy and power of saying a word of thanks at mealtime.

1. What do you think of Tyson's strategy to offer the downloadable booklets? Is there a reason to believe it is embracing religion only to make increased profit?

This discussion may generate some heated discussion. An instructor should be very sensitive to students' differing religious backgrounds. Try to stay with the core questions here of mission statements and marketing differentiation. Students may argue that the booklets are optional so are not "in your face." The instructor might want to say that every company has an objective of profitability and the challenge is to figure out what consumers want. Professors might want to spur the discussion by dropping the fact that, according to some research, about 95 percent of Americans believe in a higher being and identify at some level with a faith.

2. In your opinion, does religion belong in a corporate mission statement? Why or why not?

Students might see Tyson as a strong example of a socially conscious company that is going to the next level. It might be interesting to tell the students that CEO John Tyson is known to have battled drug and alcohol addiction and is now a born-again Christian. There is a lot of his personal mission in this strategy.

3. Many consumers see chicken as a commodity product with no real difference between brands. Does this strategy make you more or less likely to buy Tyson over another brand?

Students will again either be turned off by this campaign or more interested in the product. Ask them why. It might be that the company is either more or less aligned with their personal values at this point. Tyson will certainly alienate some consumers. Instructors might want to visit Tyson.com if they have Internet connection in the classroom and look at the "Giving Thanks" brochure.

Company Case Notes

Trap-Ease America: The Big Cheese of Mousetraps

Synopsis

A group of investors has purchased from an inventor the U.S. rights to sell a patented, innovative mousetrap. The group has hired Martha House to manage the company that includes assuming responsibility for sales and marketing.

Trap-Ease America has targeted the trap to housewives, whom it believes will be attracted to the safety and cleanliness that its trap offers. The trap lures the mouse into a square tube in which it finds itself trapped alive. Thus, there is no danger in baiting and setting the trap, and there is no “mess” resulting from the trap’s operation.

Martha is marketing the trap directly to large retail store chains such as Safeway and Kmart. The traps are sold in packages of two and are priced at \$2.49—about five to 10 times the price of the traditional, spring-loaded trap.

Martha has been promoting the mousetrap through trade shows and personal selling. As the case opens, she has just returned from a trade show at which the mousetrap received the award as Best New Product of the Year.

Despite the innovativeness of the mousetrap and its success at gaining public attention, sales are disappointingly slow. Martha finds herself wondering why the world is not beating a path to her door, as Ralph Waldo Emerson would have predicted.

Teaching Objectives

This case was selected to accompany Chapter 2 because it does an excellent job of introducing the student to the concepts of the mission of the firm and the elements of a marketing strategy in a simple but rich case. The teaching objectives for this case are to:

1. Introduce the idea of a firm’s “mission.”
2. Introduce the basic elements of a marketing strategy.
3. Drive home the point that customers seldom beat a path to a firm’s door.

Discussion Questions

1. Martha and the investors in Trap-Ease seem to face a “once-in-a-lifetime opportunity.” What information do they need to evaluate this opportunity? What do you think the investor group would write as its “mission statement?”

The case paints a very typical picture of a group of businesspeople who believe they have an outstanding product that will be readily accepted by the market. There is little evidence in the case that the investors have done any real thinking about customer needs or have followed the marketing concept as it is introduced in the chapter. The investors believe they have a mousetrap, which will satisfy customer needs, and, therefore, customers will buy it. Students need to realize that even though a firm may have an excellent product it needs to understand customers’ needs and how they respond to those needs. There is no indication in the case that the investor group has any marketing information about its potential customers or has done any real marketing research. The investors would need to know the size of the mousetrap market in the United States. Who buys mousetraps? What kinds do they buy? What prices are charged for the various kinds of mousetraps? How are these mousetraps sold to consumers? What customer needs do existing mousetraps solve, and which needs do they fail to

solve adequately? How do consumers deal with their mice and rat problems? Answers to these and other “marketing research” types of questions would give the investors a better feel for the challenges facing them in marketing the mousetrap.

Like many new, small businesses, however, the investors would write a mission statement that focused on making money for themselves. Their statement might be, “Make a lot of money by selling a patented mousetrap.” Discussing this with the class will allow the instructor to raise the oft-repeated slogan, “maximize shareholder wealth.” Proponents of the marketing concept might well argue that making money is not the goal of the firm. Rather, if one follows the marketing concept, the goal of the firm must be first to satisfy the firm’s customers and to do that better than the competition. Only then does a firm have the opportunity to “make money.”

2. Who is identified as Trap-Ease’s target market? Are there other possible market segments that the firm could target?

The case indicates that Trap-Ease is targeting housewives, and implies that housewives are reluctant to set and bait traditional spring-loaded mousetraps. They also are concerned about the safety of children and pets that may be around the home because once the spring-loaded trap has caught a mouse, one often has a mess resulting from its action. Besides being unpleasant, the mess presents health concerns due to the diseases that may be carried by mice.

There are a number of other market segments that the firm could target. The issue of disease control suggests several other potential targets. First, the instructor might ask students where disease control concerns would be important. Any business that handles or stores food and, therefore, is attractive to rats and mice would be a potential target. Restaurants should come to mind here, both because of the presence of food and food products and also because these establishments cannot use chemicals near food. This also should suggest food wholesalers or warehouses where large quantities of food may be stored in the channel of distribution. Food manufacturers also need rodent protection.

Another potential market is research laboratories. Here, researchers use large numbers of mice in research projects. It is not unreasonable to think that some of these mice occasionally get loose. A researcher would be interested in the ability to recapture a mouse without harming it—something that the researcher would be able to do with the Trap-Ease.

Another potential target market is exterminators. Because they must work in areas where chemicals would not be allowed and traditional traps would have the same messiness problem, these companies might be a target market. These exterminator companies might also sell the traps directly to consumers with whom they deal. This possibility will allow the instructor to talk about channels of

distribution and the impact of Trap-Ease's decision to go directly to the end customer.

3. How is the product positioned relative to the selected target market in the case? Are there other ways to position the product?

As suggested in the answer to question 2, Trap-Ease has been positioned from the point of view of the customer as meeting safety and cleanliness needs. Because of its pricing and distribution, Trap-Ease is positioned for use by the individual homeowner who has these concerns.

The major alternative positioning for the product focuses on its ability to control disease. Because the mouse would be trapped in a fully enclosed device and would be captured live, there is little opportunity for disease to spread as a result of its capture. It should be noted, however, that positioning the product this way would make substantial differences in the entire marketing strategy. This allows the instructor to make the point that will be reinforced throughout the semester that the full marketing mix must be coordinated to position the product properly in the customer's mind.

4. What marketing mix has Trap-Ease established? Do you see any problems with this mix?

In summary, Trap-Ease's marketing mix is as follows:

Product: As noted above, Trap-Ease is a patented mousetrap that is designed to allow consumers to avoid the safety and cleanliness problems associated with traditional mousetraps.

Perhaps by this time in the discussion someone will have already suggested one of the obvious problems with this product. That is, what does one do with a live mouse caught inside the trap? The inventor had designed the product to capture the mouse alive and to suffocate it over a period of several hours. This, however, presents a problem for the user. If the consumer discovers the trap has worked, she must pick up a trap containing a live mouse that may be squirming and squealing. Then, what does the consumer do with the mouse? It might be flushed down the toilet or let out in the woods, if one lives near woods. We might wonder, however, if the target market, housewives, will be comfortable carrying the trap containing the live mouse and then opening the door to let it out. Later market research revealed that few people felt comfortable in this situation.

On the other hand, if the consumer allows the mouse to simply suffocate in the trap, he will find that mice, like most animals, do not die quietly. You can imagine the trap bouncing around under a sink like a large Mexican jumping bean as the mouse tries to free itself. Experience indicated that the mouse also made a lot of noise prior to suffocating. The targeted housewife may find herself presented with the dilemma of how to handle a live mouse or how to put up with the noise and

unpleasantness of its suffocating. Thus, although the trap works well to catch a mouse, it fails to deal with the problem of what does one do with the mouse.

Price: The price of approximately \$1.25 per trap, when sold in packages of two, also creates a problem in that it is five to 10 times more expensive than traditional traps. This problem is complicated by the fact that if consumers have significant mouse problems, they would need a number of traps to address the problem. Or, if they decide to simply throw away traps that contain mice to solve the disposal problem, the cost could again become prohibitive.

Place: Martha House has made the decision to distribute the products directly to national chains. Although on one hand this decision makes sense given the company's desire to achieve rapid sales growth, it creates problems for the company due to its small size. As noted in the example, which concludes the case, the company does not have its own truck and distribution facilities. It must depend on outside firms to deliver its product. Because national chains have very strict time schedules, this makes it difficult for Trap-Ease to control its distribution.

Promotion: Trap-Ease is relying basically on appearances at trade shows and some limited advertising. In fact, it is relying on word-of-mouth. Primarily, the firm depends on point-of-purchase displays to sell its product. One might wonder, however, how quickly consumers passing point-of-purchase displays for the product will understand it. Further, the firm is dependent on whatever advertising the chains may do to generate end-customer awareness. Even early in the semester, students should understand that generating such awareness is extremely expensive and difficult. It is not clear that Trap-Ease has adequate resources to do significant advertising aimed at end customers, and it is not clear that the chains will devote sufficient resources to advertising the product.

All of these marketing mix problems should suggest that Trap-Ease has a number of significant hurdles to address if it is going to improve its performance.

5. Who is Trap-Ease's competition?

Even though Trap-Ease has a patent on its mousetrap, it does have competition. Students may tend to think that a patent protects a firm from competition. Obviously, the traditional, spring-loaded trap is competition. Although the Trap-Ease trap has significant advantages, its price means that for many low-income consumers who probably have more mice problems, Trap-Ease is too expensive. Consumers who have better incomes and who may not be excited about dealing with dead or live mice will probably simply turn to exterminators to take care of their problems. Although exterminators are more expensive, the benefits of having someone else take care of this unpleasant problem will be attractive to many consumers. Thus, Trap-Ease finds itself with competition both above and below its relative price. This competition significantly reduces the size of the target market.

6. How would you change Trap-Ease marketing strategy? What kinds of control procedures would you establish in connection with this strategy?

There are, of course, numerous possibilities that students might suggest. Many students will focus on trying to make specific changes to elements of the established marketing mix. For example, some students may suggest that by lowering price the Trap-Ease will become more competitive with traditional traps and be more attractive to consumers. Any attempt to manipulate the existing marketing mix, however, allows the instructor to make the point that the marketing mix should flow from the target market. At this time, having discussed previous questions, it should be clear to students that there is some question about the size and viability of the selected target market. In fact, there may not be a real market given the product's positioning—at least not a market that is big enough to support the firm and reach the investor's goals.

To revise the firm's marketing strategy, the firm needs to begin by thinking about its target market selection. First, the student could suggest that the product has been positioned improperly. Although health and cleanliness concerns are of interest to consumers, the other aspects of the marketing mix make the product unattractive. The disease control aspects of the product, however, are important. It would be possible to reposition the product for disease control purposes and to select the industrial/institutional target market. Thus, the target market would become food manufacturers, wholesalers, and others who store quantities of food that are subject to rat infestation and also restaurants and other institutions, where food may be handled and where poisons and other rat control measures are inappropriate.

With respect to the marketing for this new target market, the firm needs to develop larger sizes of the trap. Some of the potential customers will have larger rats with which to deal. These firms will often have maintenance employees who will not be squeamish about dealing with and disposing of rats that are caught in such traps.

With respect to price for this new strategy, there is really no information in the case to allow the instructor to figure what the price might be. We can imagine that, in connection with the place decision, the firm might decide to deal directly with larger exterminating companies or food wholesaling chains. The company will probably find itself in a negotiation situation as it has with the large retail chains. This will make it important that the firm understand its costs and be able to figure what prices it can agree to that will allow it to make an adequate profit.

With respect to place, the firm will be required to continue to sell to a limited number of customers due to the lack of any real sales force. This would imply that it will have to sell to food wholesalers or exterminating companies themselves unless it can find a distributor who caters to these kinds of operations. Looking for distributors who could handle some or all of the sales effort would be

appropriate given the firm's limited resources. This may put additional pressures on margins, but the firm will have to evaluate accepting smaller margins versus absorbing the cost of improving its own distribution system.

The new strategy would continue to imply a trade promotion strategy. Appearing at trade shows for food wholesalers or exterminators would be a first step, and one with which the firm is familiar. This strategy avoids the necessity for having to pursue expensive media options for developing end-customer retail demand. Advertising in trade magazines should help bring the product to the attention of targeted customers. Further, if the firm is successful in selling to exterminators, they will become its sales force.

As to control procedures, the process of revising the marketing strategy allows one to ask the students how they will monitor their progress. In the case, Martha has no connection with the end-customer. She is dealing with buyers for the large retail chains. She is not sure who is buying the mousetrap or why or how they are using it. A first control procedure for any strategy then is to identify the target market and establish mechanisms to monitor the target's use of and satisfaction with the product. Chapter 4, Managing Marketing Information, will introduce students to techniques, which might be used by Trap-Ease to evaluate the success of the strategy.

Teaching Suggestions

This case is an excellent early case because it deals with a product and a need with which students are familiar. Further, as the discussion unfolds, students will have little trouble spotting some of the marketing problems and marketing concerns that the firm faces. Although cases can sometimes intimidate students early in the semester, this case should begin to give them some confidence that they can deal successfully with a marketing situation even though they do not have a lot of experience.

If instructors are interested in any field research, they might ask a group of students to check local retail and hardware stores to see what devices and methods are available for helping people deal with their mice and rat problems.

If instructors do not use this case at this point in the text, it may be used in connection with the marketing research chapter (Chapter 4), the consumer behavior chapter (Chapter 5), the segmentation chapter (Chapter 7), and the new product chapter (Chapter 9).

ADDITIONAL MATERIAL

Barriers to Effective Learning

1. The first major barrier is very general in nature. Most students have had no experience with strategy or strategy formulation (especially at the undergraduate level). Because their background in strategy is weak, their ability to strategically plan is also weak. The best way to attack this problem is to follow the explanation sequence provided by the text. Before this discussion begins, however, it might be useful to find areas where students have had strategic planning experience (such as athletics, student politics, games, video games, chess, computer games, etc.). By asking the students to recall and relate these experiences, parallels can be drawn to business strategies and the plans that result from these strategies (for example, think of all the military and athletic terms that might be used to describe business strategy—i.e., flanker movement for flanker brands).
2. Once the students have a general understanding of strategy and strategic issues, the next barrier to overcome is how to formulate a good mission statement. Carefully guide the students through the examples in the chapter. Pick something that most students will have some knowledge of (for example, the university, a sports team, a fast-food restaurant, or a computer company) and have them design a mission statement following the guidelines suggested in the chapter. Have the students determine if their mission statement is “*product-oriented*” or “*market-oriented*.” Which one should it be? This will reinforce the material and will aid student understanding. Critique the mission statements in class.
3. The next barrier to understanding may occur if students do not thoroughly understand the BCG growth-share matrix. This simple matrix is the basis for many portfolio analysis techniques. An easy way to cover this material quickly is to assign each of the four parts to four students in advance of class. Next, have them respond to example suggestions (illustrations of the four cells) from their classmates. This will reinforce the material for the entire class.
4. Many students will have an incomplete understanding of the growth strategies shown in the *product/market expansion grid*. Though these areas are carefully described in the text, it is useful to make sure that students understand the mix of alternatives available to the strategist. One way to do this is to pick another example besides the Starbuck’s Coffee example used in the text and have the students suggest acceptable alternatives. Remind students to think about how the example companies have expanded or contracted in recent years. Lastly, make students practice using the terms from the expansion grid in their discussions so a proper business strategy vocabulary will be built. This practice will really help the students when an exam rolls around.
5. The last barrier in this chapter occurs with proper understanding of the contents of a marketing plan. Each section should be carefully reviewed to determine where

student misunderstanding might occur. As you will note, it is much easier to read about planning than to do it. It is recommended that some form of project be used to examine the student's knowledge. Any area of concern should be explored in more detail. If the *Marketing PlanPro* (or another simulation tool) is being used, discuss how its planning format is consistent with the basic steps shown in Table 2.2.

Student Projects

1. Pick a company or brand that you buy from frequently. Go to their Web site, and find the portfolio of products that they sell. Pretend you are the CEO, and categorize the products into logical groupings that will become your strategic business units. Using your best judgment, allocate your resources, using percentages, not dollar amounts, to each strategic business unit (make sure the total comes to 100 percent).
2. Visit the Web site for the Glenn Beck radio program (<http://www.glennbeck.com/home/index.shtml>). Consider the market for talk radio. Who do you think the Glenn Beck show is targeting? How is this program differentiating itself in the marketplace?
3. Get the current issue of *Business Week* magazine; most college libraries carry it. Read the cover story and define the 4 Ps of one of the company's products mentioned. Then define the 4 Cs of the same product. Are there differences?

Interactive Assignments

Small Group Assignment

1. Form students into groups of three to five. Each group should read the opening vignette to the chapter on Nike. Each group should answer the following questions:
 - a. Describe Nike's initial marketing strategy that led to the company's dominance of the industry.
 - b. How did that strategy ultimately become a barrier to growth?
 - c. How does Nike's current marketing strategy differ from the one that made the company so successful?
 - d. What role has innovation played in Nike's success throughout its existence? Have competitors been able to keep pace?
 - e. Describe how Nike's supply chain efforts have paved the way for future growth.

Each group should then share its findings with the class.

Individual Assignment

1. Read the opening vignette to the chapter. Think about the answers to the following questions:
 - a. What strategies did Nike use to rise to dominance in the athletic apparel industry?
 - b. How has Nike changed its promotional strategy to position itself for future growth?
 - c. How has Nike changed its supply chain strategy to position itself for future growth? Does it appear to be working?
 - d. What (if any) danger could Nike face with its current strategies?

Share your findings with the class.

Think-Pair-Share

1. Consider the following questions, formulate and answer, pair with the student on your right, share your thoughts with one another, and respond to questions from the instructor.
 - a. What is the difference between a business or company strategy and a marketing strategy?
 - b. Compare the Boston Consulting Group's portfolio analysis method to the product/market expansion grid. Which method would you rather use in your own business? Why?
 - c. Why would a focus on the 4 Cs be more important than the 4 Ps?
 - d. What is a value-delivery network? How does this concept differ from that of the value chain?
 - e. Explain the concept of return on marketing. Why is this important?

Outside Example

In the context of market targeting and niche marketing, the chapter provides a highlight of Jones Soda in Real Marketing 2.2. There are countless companies that have succeeded by targeting small segments of customers overlooked by major competitors, in essence becoming the biggest fish in a small pond.

Another niche marketer that is gaining success through this strategy is Glacéau, maker of the lower-case bottled water brands vitaminwater (lightly flavored and fortified with essential vitamins and nutrients), fruitwater (low cal, naturally sweetened), and smartwater (vapor distilled, electrolyte enhanced). These products are framed as all natural and good for you. What's more, they have been the pioneers of an entirely new product category, that of enhanced water.

The positioning of the brands alone would make the success of these brands unlikely in a non-alcoholic beverage category that is among the toughest and costliest to crack. But

founder J. Darius Bikoff has gained substantial ground by not only offering a unique product, but by taking a novel approach to distribution. Bikoff hit the streets, the good old fashioned way. His initial focus was to create relationships with small chain and individual store owners. By narrowing in on this network of smaller outlets, he avoided the attention of the big brands and the prohibitive slotting fees charged by large chains.

Has it worked? Today, upscale grocer Grace's Marketplace in Manhattan devotes 12 linear feet of cold space to vitamin water and only one foot to industry giant, Poland Spring. After gaining a foothold in such outlets, Bikoff took his company upward into larger chains, including Albertson's, Safeway, Jewel-Osco, and Whole Foods. In just seven years, Glacéau has gone from a no-name upstart to a \$350 million mini-empire carried by more than 50,000 outlets. But perhaps the biggest sign of Glacéau's success is imitation. Big dogs Coke and Pepsi have launched their own lines of enhanced waters through the Dasani and Aquafina brands.

See www.vitaminwater.com. Also see "Move Over, Coke," *Wall Street Journal*, January 30, 2006, page R1.

1. Outline Glacéau's product portfolio (the Web site can help in that regard). Do you think these various products fit together nicely in one business? Why or why not?
2. How has Glacéau positioned itself in the marketplace against their key competitors? Can you position the entire company? Can you further position each brand?
3. Describe the advantages and disadvantages to the targeting strategy of niche marketing. How do you think this company overcame the extreme barriers to entry in this product category?