

SOLUTIONS MANUAL



Principles of Marketing

Thirteenth Edition

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PEARSON

Chapter 2

COMPANY AND MARKETING STRATEGY: PARTNERING TO BUILD CUSTOMER RELATIONSHIPS

CHAPTER OVERVIEW

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In the first chapter, we explored the marketing process by which companies create value for consumer in order to capture value in return. In this chapter, we look at designing customer-driven marketing strategies and constructing marketing programs. First we look at the organization's overall strategic planning, which guides marketing strategy and planning. Next, we discuss how marketing partners closely with others inside and outside the firm to create value for customers. We then examine marketing strategy and planning – how marketers choose target markets, position their market offering, develop a marketing mix, and manage their marketing programs. Lastly, we will look at the step of measuring and managing return on marketing investment.

CHAPTER OBJECTIVES

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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 OUTLINE

P. 36	INTRODUCTION NASCAR is a great marketing organization. It is the second highest-rated regular season sport on television (only the NFL has more viewers). It has a single-minded focus: creating lasting customer relationships.	P. 36-37 Photos: NASCAR
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	<p>A big part of the NASCAR experience is the feeling that the sport itself is personally accessible. Because of this, NASCAR has attracted more than 250 big-name sponsors.</p> <p>Today’s successful companies have one thing in common: they are strongly customer focused and heavily committed to marketing.</p>	
<p>➤ Assignments, Resources Use <i>Small Group Assignment 1</i> here Use <i>Individual Assignment 1</i> here Use <i>Web Resources 1 and 2</i> here</p>		
<p>➤ Opening Vignette Questions</p> <ol style="list-style-type: none"> 1. What are some of the many media that NASCAR uses to reach its audience? 2. Why do you believe NASCAR has been able to attract so many big-name sponsors? 		
<p>P. 38</p> <p>PPT 2-3</p> <p>PPT 2-4</p>	<p>COMPANYWIDE STRATEGIC PLANNING: DEFINING MARKETING’S ROLE</p> <p>The hard task of selecting an overall company strategy for long-run survival and growth is called strategic planning.</p> <p>Strategic planning is the process of developing and maintaining a strategic fit between the organization’s goals and capabilities and its changing market opportunities.</p> <p>Strategic planning sets the stage for the rest of the planning in the firm.</p> <p>Companies typically prepare annual plans, long-range plans, and strategic plans.</p>	<p>P. 38 Key Term: Strategic Planning</p> <p>P. 39 Figure 2.1: Steps in Strategic Planning</p> <p>Chapter Objective 1</p>
<p>➤ Assignment, Resources Use <i>Discussing the Concepts 1</i> here Use <i>Video Case</i> here</p> <p>➤ Troubleshooting Tip 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</p>		

<p>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).</p>		
<p>P. 39</p> <p>PPT 2-5</p> <p>PPT 2-6</p>	<p>Defining a Market-Oriented Mission</p> <p>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.</p> <p>A clear mission statement acts as an “invisible hand” that guides people in the organization.</p> <p>A market-oriented mission statement defines the business in terms of satisfying basic customer needs.</p> <p>Management should avoid making its mission too narrow or too broad.</p> <p>Missions should be realistic, specific, fit the market environment, based on the company’s distinctive competencies, and motivating.</p>	<p>P. 39</p> <p>Photo: Cold Stone Creamery</p> <p>P. 39</p> <p>Key Term: Mission Statement</p> <p>P. 40</p> <p>Table 2.1: Market-Oriented Business Definitions</p>
<p>➤ Assignments, Resources</p> <p>Use <i>Application Question 2</i> here</p> <p>Use <i>Web Resource 3</i> here</p>		
<p>P. 40</p> <p>PPT 2-7</p> <p>P. 41</p>	<p>Setting Company Objectives and Goals</p> <p>The company’s mission needs to be turned into detailed supporting objectives for each level of management.</p> <p>The mission leads to a hierarchy of objectives, including business objectives and marketing objectives.</p> <p>Marketing strategies and programs must be developed to support these marketing objectives.</p> <p>Designing the Business Portfolio</p>	<p>P. 41</p> <p>Ad: BASF</p> <p>Chapter Objective 2</p> <p>P. 41</p> <p>Key Terms:</p>

<p>PPT 2-8</p>	<p>A business portfolio is the collection of businesses and products that make up the company.</p> <p>The best portfolio is the one that best fits the company’s strengths and weaknesses to opportunities in the environment.</p> <p>The major activity in strategic planning is business portfolio analysis, whereby management evaluates the products and businesses making up the company.</p>	<p>Business Portfolio, Portfolio Analysis</p>
<p>➤ Assignments, Resources Use <i>Additional Project 1</i> here Use <i>Think-Pair-Share 1</i> here</p>		
<p>PPT 2-9</p>	<p>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> <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.</p>	<p>P. 41 Key Term: Growth-Share Matrix</p>
<p>PPT 2-10</p>	<p>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.</p>	
<p>PPT 2-11</p>	<p>The Boston Consulting Group Approach The best-known portfolio-planning method was developed by the Boston Consulting Group.</p> <p>This matrix defines four types of SBUs:</p> <ul style="list-style-type: none"> • Stars: High-growth market, high-share product; • Cash cows: Low-growth market, high-share product; • Question marks: Low-share product, high-growth market; • Dogs: Low-share product, low-growth market. <p>Once it has classified its SBUs, the company must determine what role each will play in the future.</p> <p>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,</p>	<p>P. 42 Figure 2.2: The BCG Growth-Share Matrix</p> <p>P. 43 Photo: Disney</p>

	<p>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.</p>	
<p>➤ Assignments, Resources Use <i>Discussing the Concepts 2</i> here Use <i>Web Resource 4</i> here Use <i>Real Marketing 2.1</i> here Use <i>Small Group Assignment 2</i> here Use <i>Individual Assignment 2</i> here</p> <p>➤ Troubleshooting Tip 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.</p>		
<p>PPT 2-12</p>	<p>Problems with matrix approaches Portfolio-analysis approaches have limitations.</p> <ul style="list-style-type: none"> • They can be difficult, time-consuming, and costly to implement. • Management may find it difficult to define SBUs and measure market share and growth. • These approaches focus on classifying current businesses but provide little advice for future planning. <p>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.</p> <p>Developing Strategies for Growth and Downsizing</p> <p>Designing the business portfolio involves finding businesses and products the company should consider in the future.</p> <p>Marketing has the main responsibility for achieving profitable growth for the company.</p>	<p>P. 43 Figure 2.3: The Product/Market Expansion Grid</p> <p>P. 43-45 Key Terms: Product/market Expansion Grid, Market Penetration, Market Development, Product Development, Diversification,</p>
<p>PPT 2-13</p>	<p>Marketing must identify, evaluate, and select market opportunities and lay down strategies for capturing them.</p>	
<p>PPT 2-14</p>		
<p>PPT 2-15</p>	<p>The product/market expansion grid is shown in Figure 2.3.</p>	

<p>PPT 2-16</p> <p>PPT 2-17</p> <p>PPT 2-18</p>	<ul style="list-style-type: none"> • Market penetration involves making more sales to current customers without changing its products. • Market development involves identifying and developing new markets for its current products. • Product development is offering modified or new products to current markets. • Diversification is where a company starts up or buys businesses outside of its current products and markets. <p>Companies must also develop strategies for downsizing their businesses.</p>	<p>P. 46 Key Term: Downsizing</p> <p>P. 45 Ad: Cross</p>
<p>➤ Assignments, Resources Use <i>Discussing the Concepts 3</i> here Use <i>Focusing on Ethics</i> here</p> <p>➤ Troubleshooting Tip Many students will have an incomplete understanding of the growth strategies shown in the <i>product/market expansion grid</i>. 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 Starbucks'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.</p>		
<p>P. 46</p>	<p>PLANNING MARKETING: PARTNERING TO BUILD CUSTOMER RELATIONSHIPS</p> <p>Within each business unit, more detailed planning takes place. The major functional departments in each unit must work together to accomplish strategic objectives.</p> <p>Marketing provides a guiding philosophy—the marketing concept—that suggests that company strategy should revolve around building profitable relationships with important customer groups.</p> <p>Marketing provides inputs to strategic planners by helping</p>	<p>Chapter Objective 3</p>

<p>P. 46</p> <p>PPT 2-19</p> <p>P. 47</p> <p>PPT 2-20</p>	<p>to identify attractive market opportunities and by assessing the firm’s potential to take advantage of them.</p> <p>Marketing designs strategies for reaching the unit’s objectives.</p> <p>Partnering with Other Company Departments</p> <p>Each company department can be thought of as a link in the company’s value chain.</p> <p>Value chain is the series of departments that carry out value-creating activities to design, produce, market, deliver, and support the firm’s products.</p> <p>A company’s value chain is only as strong as its weakest link.</p> <p>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.</p> <p>In practice, departmental relations are full of conflicts and misunderstandings.</p> <p>Partnering with Others in the Marketing System</p> <p>The firm needs to look beyond its own value chain and into the value chains of its suppliers, distributors, and ultimately, customers.</p> <p>More companies today are partnering with other members of the supply chain to improve the performance of the customer value-delivery network.</p> <p>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.</p>	<p>P. 47 Ad: Wal-Mart</p> <p>P. 46 Key Term: Value Chain</p> <p>P. 47 Key Term: Value-Delivery Network</p> <p>P. 48 Ad: Toyota</p>
<p>P. 48</p> <p>PPT 2-21</p>	<p>MARKETING STRATEGY AND THE MARKETING MIX</p> <p>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.</p>	<p>P. 49 Figure 2.4: Managing Marketing Strategies and the</p>

<p>P. 48</p> <p>PPT 2-22</p>	<p>Marketing strategy is the marketing logic by which the company hopes to achieve these profitable relationships.</p> <p>Customer-Driven Marketing Strategy Companies know that they cannot profitably serve all consumers in a given market – at least not all consumers in the same way.</p> <p>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.</p>	<p>Marketing Mix</p> <p>Chapter Objective 4</p> <p>P. 48-49</p> <p>Key Terms: Marketing Strategy, Market Segmentation</p>
<p>➤ Assignments, Resources Use <i>Web Resource 5</i> here</p> <p>➤ Troubleshooting Tip Market segmentation and targeting is universally a new concept to students, unless they happen to have a parent who works in marketing. Although this is discussed in detail in a future chapter, showing how a large, amorphous market can be broken down in more and more detailed groups of buyers will help.</p>		
<p>PPT 2-23</p> <p>PPT 2-24</p>	<p>A market segment consists of consumers who respond in a similar way to a given set of marketing efforts.</p> <p>Market targeting involves evaluating each market segment’s attractiveness and selecting one or more segments to enter.</p> <p>A company should target segments in which it can profitably generate the greatest customer value and sustain it over time.</p> <p>Market Differentiation and Positioning A product’s position is the place the product occupies relative to competitors in consumers’ minds.</p> <p>Marketers want to develop unique market positions for their products.</p> <p>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.</p>	<p>P. 49</p> <p>Key Terms: Market Segment, Market Targeting</p> <p>P. 50</p> <p>Ad: Visa</p> <p>P. 50</p> <p>Key Terms: Positioning, Differentiation</p>

	<p>Positioning establishes differentiation.</p> <p>To gain competitive advantage, the company must offer value to target consumers. This is accomplished through product differentiation – actually differentiating the company’s market offering so that it gives consumers more value.</p>	
<p>➤ Troubleshooting Tip Market positioning can be difficult to understand as well. Students will normally think of a product in terms of its features, and although positioning includes the features, it also spans the concepts of benefits and perceptions. Using examples of brands at opposite ends of a price continuum, such as Rolex versus Timex watches, helps drive home what positioning means.</p>		
<p>P. 52</p> <p>PPT 2-25</p> <p>PPT 2-26</p>	<p>Developing an Integrated Marketing Mix</p> <p>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.</p> <p>Product means the goods-and-services combination the company offers to the target market.</p> <p>Price is the amount of money customers pay to obtain the product.</p> <p>Place includes company activities that make the product available to target consumers.</p> <p>Promotion means activities that communicate the merits of the product and persuade target customers to buy it.</p> <p>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> <p>Some critics feel that the 4 Ps may omit or underemphasize certain important activities.</p> <p>From the buyer’s viewpoint, in this age of customer relationships, the 4 Ps might be better described as the 4 Cs:</p>	<p>P. 52 Key Term: Marketing Mix</p> <p>P. 52 Figure 2.5: The Four P’s of the Marketing Mix</p>

	<ul style="list-style-type: none"> • Customer solution, • Customer cost, • Convenience, • Communication. 	
<p>➤ Assignments, Resources Us <i>Additional Project 2</i> here Use <i>Discussing the Concepts 4</i> here Use <i>Real Marketing 2.2</i> here Use <i>Discussing the Concepts 5</i> here Use <i>Additional Project 3</i> here Use <i>Think-Pair-Share 2</i> here Use <i>Outside Example 1 and 2</i> here</p>		
P. 53 PPT 2-27	<p>MANAGING THE MARKETING EFFORT</p> <p>Managing the marketing process requires the four marketing management functions shown in Figure 2.6.</p> <ul style="list-style-type: none"> • Analysis, • Planning, • Implementation, • Control. 	Chapter Objective 5 P. 54 Figure 2.6: Managing Marketing
P. 53 PPT 2-28	<p>Marketing Analysis</p> <p>Managing the marketing function begins with a complete analysis of the company’s situation.</p> <p>The company must analyze its markets and marketing environment to find attractive opportunities and avoid environmental threats.</p> <p>The marketer should conduct a SWOT analysis, by which it evaluates the company’s overall strengths, weaknesses, opportunities, and threats.</p>	P. 54 Figure 2.7: SWOT Analysis
<p>➤ Assignments, Resources Use <i>Application Question 1</i> here Use <i>Focusing on Technology</i> here Use <i>Web Resource 6</i> here</p>		
P. 54	<p>Marketing Planning</p> <p>Marketing planning involves deciding on marketing strategies that will help the company attain its overall strategic objectives.</p>	

	<p>A detailed marketing plan is needed for each business, product, or brand.</p> <p>Table 2.2 outlines the major sections of a typical product or brand plan.</p> <p>A marketing strategy consists of specific strategies: target markets, positioning, the marketing mix, and marketing expenditure levels.</p>	
<p>P. 55</p> <p>PPT 2-29</p> <p>PPT 2-30</p>	<p>Marketing Implementation</p> <p>Marketing implementation is the process that turns marketing plans into marketing actions in order to accomplish strategic marketing objectives.</p> <p>Implementation involves day-to-day, month-to-month activities that effectively put the marketing plan to work.</p> <p>Implementation addresses the <i>who, where, when</i>, and <i>how</i>.</p> <p>In an increasingly connected world, people at all levels of the marketing system must work together to implement marketing strategies and plans.</p> <p>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.</p> <p>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.</p>	<p>P. 55</p> <p>Table 2.2: Contents of a Marketing Plan</p> <p>P. 55</p> <p>Key Term: Marketing Implementation</p>
<p>P. 56</p> <p>PPT 2-31</p>	<p>Marketing Department Organization</p> <p>The company must design a marketing organization that can carry out marketing strategies and plans.</p> <p>The most common form of marketing organization is the <i>functional organization</i>. Under this organization functional specialists head the various marketing activities.</p>	<p>P. 57</p> <p>Photo: Marketing Planning and Control</p>

END OF CHAPTER MATERIAL

Discussing the Concepts

1. Define strategic planning and briefly describe the four steps that lead managers and the firm through the strategic planning process. Discuss the role marketing plays in this process. (AACSB: Communication)

Answer:

Strategic planning is the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities. At the corporate level, the company starts the strategic planning process by defining its overall purpose and mission (see Figure 2.1). This mission then is turned into detailed supporting objectives that guide the whole company. Next, headquarters decides what portfolio of businesses and products is best for the company and how much support to give each one. In turn, each business and product develops detailed marketing and other departmental plans that support the companywide plan. Marketing planning occurs at the business-unit, product, and market levels. Marketing supports company strategic planning with more detailed plans for specific marketing opportunities.

Marketing plays a key role in the company's strategic planning in several ways: (1) provides a guiding philosophy—the marketing concept—that suggests that company strategy should revolve around building profitable relationships with important consumer groups, (2) provides inputs to strategic planners by helping to identify attractive market opportunities and by assessing the firm's potential to take advantage of them, and (3) within individual business units, marketing designs strategies for reaching the unit's objectives.

2. Describe the Boston Consulting Group's approach to portfolio analysis. Briefly discuss why management may find it difficult to dispose of a "question mark." (AACSB: Communications; Reflective Thinking)

Answer:

Using the Boston Consulting Group (BCG) approach, a company classifies all its SBUs according to the *growth-share matrix* shown in Figure 2.2. On the vertical axis, *market growth rate* provides a measure of market attractiveness. On the horizontal axis, *relative market share* serves as a measure of company strength in the market. The growth-share matrix defines four types of SBUs:

Stars. Stars are high-growth, high-share businesses or products. They often need heavy investment to finance their rapid growth. Eventually their growth will slow down, and they will turn into cash cows.

Cash cows. Cash cows are low-growth, high-share businesses or products. These established and successful SBUs need less investment to hold their market share. Thus,

they produce a lot of cash that the company uses to pay its bills and to support other SBUs that need investment.

Question marks. Question marks are low-share business units in high-growth markets. They require a lot of cash to hold their share, let alone increase it.

Dogs. Dogs are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves but do not promise to be large sources of cash.

The circles in the growth-share matrix represent a company's current SBUs. Once it has classified its SBUs, the company must determine what role each will play in the future. One of four strategies can be pursued for each SBU. The company can invest more in the business unit in order to **build** its share. Or 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. Finally, the company can **divest** the SBU by selling it or phasing it out and using the resources elsewhere. As time passes, SBUs change their positions in the growth-share matrix.

Determining whether or not to dispose of a question mark 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. Name and describe the four product/market expansion grid strategies. KFC is now rolling out a new Kentucky Grilled Chicken line to add to its traditional fried chicken line-up. Which growth strategy does this represent? (AACSB: Communications; Reflective Thinking)

Answer:

The four product/market expansion strategies are: market penetration, market development, product development, and diversification. *Market penetration* involves making more sales without changing the original product. This can be achieved through marketing mix improvements, such as adjustments to its product design, advertising, pricing, and distribution efforts. Market development strategy involves identifying and developing new markets for its current products. New markets could be new geographic markets or other markets defined by demographics, lifestyle, or product use. Management could consider *product development* by offering modified or new products to current markets. Finally, a company may consider *diversification* by starting up or buying businesses outside of its current products and markets. In this strategy, the marketer offers an entirely different product to a completely different market than currently served.

KFC Kentucky Grilled Chicken is an example of product development—offering new or modified products to current markets.

4. Discuss the differences between market segmentation, targeting, differentiation, and positioning. What two simple questions do they address? (AACSB: Communication)

Answer:

Market segmentation is the process of dividing a market into distinct groups of buyers who have different needs, characteristics, or behavior who might require separate products or marketing programs. *Targeting* involves evaluating each market segment's attractiveness and selecting one or more segments to enter. *Positioning* is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers. Effective positioning begins with *differentiation*—actually *differentiating* the company's market offering so that it gives consumers more value. The two simple questions: Which customers will the company serve and how will it serve them?

5. Define each of the four Ps. Does the 4Ps 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? (AACSB: Communication; Reflective Thinking)

Answer:

The four Ps of marketing are: product, price, place, and promotion. **Product** means the goods-and-services combination the company offers to the target market. **Price** is the amount of money customers pay to obtain the product. **Place** includes company activities that make the product available to target consumers. **Promotion** means activities that communicate the merits of the product and persuade target customers to buy it. The four Cs—customer solution, customer cost, convenience, and communication—describe the four Ps from the customer's viewpoint. By examining products and services using the four Cs, marketers may be better equipped to build customer relationships and offer true value.

Students will most likely agree that the 4 Ps framework does a decent job of describing the general areas of responsibility of the marketer. When asked why, students should realize that the 4 P's 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 4P 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.

6. What is return on marketing investment? Why is it difficult to measure? (AACSB: Communication; Reflective Thinking)

Answer:

Return on marketing investment (or marketing ROI) is the net return from a marketing investment divided by the costs of the marketing investment. It is difficult to measure primarily due to lack of a consistent definition of marketing ROI and tools to measure it. In measuring financial ROI, both the *R* and the *I* are uniformly measured in dollars. But measuring marketing benefits such as advertising impact aren't easily put into dollar returns.

Applying the Concepts

1. Explain what a SWOT analysis involves. Develop a SWOT analysis for a travel agency in your community. (AACSB: Communication; Reflective Thinking)

Answer:

A SWOT analysis evaluates an organization's overall strengths (S), weaknesses (W), opportunities (O), and threats (T) (see Figure 2.7). Strengths include internal capabilities, resources, and positive situational factors that may help the company or organization to serve its customers and achieve its objectives. Weaknesses include internal limitations and negative situational factors that may interfere with the organization's performance. Opportunities are favorable factors or trends in the external environment that the organization may be able to exploit to its advantage. And threats are unfavorable external factors or trends that may present challenges to performance.

Students' responses will vary regarding the SWOT analysis of a local travel agency. Relevant strengths and weaknesses for a travel agency include factors such as close customer relationships, reputation, human resources, financial resources, technological resources, partnerships with travel vendors, and so on. Opportunities and threats involve changes in the demographic, economic, and technological environments. For example, a growing population is an opportunity, whereas a declining one is a threat; a strong dollar is an opportunity for U.S. consumers traveling internationally, whereas a weak dollar poses a threat to international travelers. The growth of the Internet poses a threat to traditional travel agencies as consumers can make all of their travel arrangements themselves or through virtual agencies like Expedia.com.

2. In a small group, discuss whether the following statement from Burton Snowboards North America, manufacturers and marketers of a leading snowboard brand, meets 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." (AACSB: Communication; Reflective Thinking)

Answer:

Burton does a fine job in presenting a mission statement for its snowboarding equipment division. Applying the five mission statement criteria:

- 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.
3. Explain the role of a chief marketing officer (CMO). Learn more about this C-level executive position and find an article that describes the importance of this position, the characteristics of an effective CMO, or any issues surrounding this position. (AACSB: Communication; Reflective Thinking)

Answer:

The CMO heads up the company’s entire marketing operation and represents marketing on the company’s top management team. The CMO position puts marketing on equal footing with other C-level executives, such as the Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Students’ selection of articles will vary. One issue regarding the CMO position is that the average tenure of a CMO is just over 2 years, which has created some controversy surrounding this position. Some interesting articles are listed below:

Cata, Carlos (2008), “CMOs Stop Obsessing Over the Tenure Stat,” *Advertising Age*, (May 19), 40.

This article discusses the characteristics of an effective CMO: leadership, trust, intent, and results.

Court, David (2007), “The Evolving Role of the CMO,” *McKinsely Quarterly*, 28-39.

This article discusses how the role of the CMO must broaden due to significant changes in the marketplace. The author notes that changing customer needs and behavior are the reasons for this shift in importance of the CMO.

Rooney, Jennifer (2008), “Marty Hamlish Knows Why CMOs Don’t Last,” *Advertising Age*, (April 17), 18-19.

This article is an interview with the CMO of SAP, Marty Hamlish. He explains how the role of the CMO is to nurture, grow, and protect the organization’s brands.

Focus on Technology

Mobile marketing is touted as the next “big thing,” offering the promise of connecting with consumers on the most personal medium – their cell phones. Technological advances are letting marketers send not only text messages to cell phones but also video messages. In Japan, QR Codes (quick response codes) originally developed for manufacturing purposes are now placed

on outdoor, print, and other media advertisements so that consumers can snap pictures of them and be taken directly to mobile Web sites. Although not widely practiced yet, some U.S. marketers are now dabbling in mobile marketing. For example, Jaguar used a mobile campaign and sold over 1,100 XFs in one month. Visa used mobile marketing in China to encourage consumers to pass video commercials on to their friends via mobile phones. Even textbook publishers are using mobile marketing to send updated information to students and teachers. Although there are still technical roadblocks stifling rapid expansion of this marketing method, some experts claim that marketers had better jump on this bandwagon or risk being left behind.

1. Visit the Mobile Marketing Association's Web site at <http://www.mmaglobal.com> and click on "Resources" and then "MMA Member Case Studies" on the left. Discuss one case study and describe the factors you think made that application of mobile marketing a success. (AACSB: Communication; Use of IT; Reflective Thinking)

Answer:

Student's responses will vary. There are several case studies described and instructors might want to assign students different categories (such as automotive, B2B, consumer packaged goods, sports, and so on).

2. Analysis is an important first step in the marketing management process. The rapid advance in mobile technology poses opportunities as well as threats for marketers. Discuss both the opportunities and threats for marketers. (AACSB: Communication; Reflective Thinking)

Answer:

Many students will respond that the growth of mobile marketing is an opportunity for marketers. However, it could also be a threat if it is not well-received by consumers and perceived as annoying. Most of the case studies illustrated in the previous question were probably successful because consumers responded to an invitation to participate in mobile marketing by texting something to the marketer or visiting the marketer's mobile site rather than the marketer sending the message or video to an unsuspecting and potentially unwilling consumer.

This technological trend can also be considered a threat or an opportunity if a marketer's competitors adopt it. If it is successful for competitors, then it is a threat for the marketer that does not adopt it. However, if it is not successful for competitors and consumers do not respond positively, that poses an opportunity for marketers not adopting it.

This technological change is an opportunity for mobile service providers, opening up the possibility of this medium becoming an important advertising revenue producer. The issue of measurement, however, may mitigate this opportunity.

Finally, this trend is only an opportunity for marketers if the technology is easily adopted by marketers and consumers. For example, a company without a mobile website will not be successful with mobile marketing because consumers will not be able to interact with the

company. Only mobile phone users with data plans can participate, which currently is only about 30 million of the almost 220 million U.S. wireless subscribers in 2008.

Focus on Ethics

\$4.00 a gallon? \$5.00 a gallon? \$6.00 or more a gallon? Perhaps gas prices will be even higher by the time you read this. Consumers stuck with gas-guzzling SUVs are flocking to fuel-saving gadgets to increase their fuel economy. Enterprising marketers are answering the call with do-it-yourself products that supposedly increase mileage. For \$150, Water4Gas uses hydrogen to convert a car into a water-fueled hybrid. For \$170, Fuel Saver 7000 will treat your fuel with a vaporization process. For only \$35 to \$65, you can outfit your engine with a Turbonator, CycloneFuelSaver, or Spiral Max, fans that swirl incoming air. Many other devices are available that supposedly enable an automobile to burn fuel more efficiently. However, the Environmental Protection Agency and the Federal Trade Commission are not convinced these product really do enhance fuel economy. Many consumers are also unaware that installing such products may void their automobile's factory warranty. The makers of these products counter that, although some products don't measure up, others do, and that the EPA and FTC reports are too broad.

1. Many of these products are offered by manufacturers of other auto-part products. What product-market growth strategy does this represent for these companies? (AACSB: Communication; Reflective Thinking)

Answer:

These manufacturers are offering new products to existing customers, so this is an example of a product development strategy. In this strategy, a business offers modified or new products to current markets.

2. If these products do not deliver the benefits claimed, should marketers be allowed to continue selling them? (AACSB: Communication; Ethical Reasoning)

Answer:

Most students will agree that marketers should not be allowed to sell products that claim benefits that are not truly delivered. This is a good example to explain to students that this is illegal, and instructors might want to refer to the Federal Trade Commission's (FTC) Web site to learn more about deceptive advertising (<http://www.ftc.gov>). The FTC examines advertising claims on a case-by-case basis, examining a specific company's advertisement for their product. However, the FTC does have the authority to make industry-wide decisions, which may be relevant in this situation if the products offered do not live up to their claims.

Marketing by the Numbers

Appendix 2, Marketing by the Numbers, discusses other marketing profitability metrics beyond the return on marketing investment (marketing ROI) measure described in this chapter. The

following is a profit-and-loss statement for a business. Review Appendix 2 and answer the questions below.

Net Sales		\$800,000,000
Cost of goods sold		<u>375,000,000</u>
Gross Margin		\$425,000,000
Marketing Expenses		
Sales expenses	\$70,000,000	
Promotion expenses	<u>30,000,000</u>	
		100,000,000
General and Administrative Expenses		
Marketing salaries and expenses	\$10,000,000	
Indirect overhead	<u>60,000,000</u>	
		<u>70,000,000</u>
Net profit before income tax		\$255,000,000

1. Calculate the net marketing contribution (NMC) for this company. (AACSB: Communication; Analytic Thinking)

Answer:

Net marketing contribution (NMC) measures marketing profitability and includes only components of profitability that are controlled by marketing. It is calculated as:

$$\text{NMC} = \text{net sales} - \text{cost of goods sold} - \text{marketing expenses}$$

where,

$$\begin{aligned} \text{marketing expenses} &= \text{selling expenses} + \text{promotion expenses} + \text{marketing salaries and} \\ \text{expenses} &= \$70,000,000 + \$30,000,000 + \$10,000,000 = \$110,000,000 \end{aligned}$$

so,

$$\text{NMC} = \$800,000,000 - \$375,000,000 - \$110,000,000 = \$315,000,000$$

2. Calculate both marketing return on sales (or marketing ROS) and marketing return on investment (or marketing ROI) as described in Appendix 2. Is this company doing well? (AACSB: Communication; Analytic Reasoning; Reflective Thinking)

Answer:

$$\text{Marketing ROS} = \frac{\text{net marketing contribution}}{\text{net sales}} = \frac{\$315,000,000}{\$800,000,000} = 0.394 = 39.4\%$$

net sales \$800,000,000

$$\text{Marketing ROI} = \frac{\text{net marketing contribution}}{\text{marketing expenses}} = \frac{\$315,000,000}{\$110,000,000} = 2.86 = 286\%$$

Students' responses regarding whether or not this business is doing well will vary. These ratios should be compared to previous ratios for the company, competitors, and industry averages. However, 39.4 percent marketing ROS and 286 percent marketing ROI are very good. In other words, each dollar invested in marketing is returning \$2.86 in net marketing contribution.

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. This case provides details of the marketing strategy employed by Ms. House.

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 PROJECTS, ASSIGNMENTS, AND EXAMPLES

Projects

1. Pick a company or brand from which you buy frequently. Visit their Web site and find the portfolio of products/services they sell. Pretend you are the company CEO. Categorize the products into logical groupings that will become your strategic business units (SBUs). Using your best judgment, allocate resources, using percentages, not dollar amounts, to each SBU (make sure the total comes to 100 percent). (Objective 2)

2. Visit the Web site for Food Television's Rachel Ray (<http://www.rachaelray.com/>). Consider the market for television cooking programs. Who do you believe Rachel Ray is targeting? How is this "product" differentiated in the marketplace? (Objective 4)
3. Get the current issue of *Fortune* 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? (Objective 4)

Small Group Assignments

1. Form students into groups of three to five. Each group should read the opening vignette to the chapter on NASCAR. Each group should answer the following questions and then share their findings with the class. (Objective 1)
 - a. Describe NASCAR's secret for their incredible growth.
 - b. Discuss NASCAR's multi-avenue promotions used to deliver the NASCAR experience.
 - c. A big part of the NASCAR experience is the feeling that the sport, itself, is personally accessible. How does NASCAR accomplish this?
2. Form students into groups of three to five. Each group should read Real Marketing 2.1 "Starbucks Coffee." Each group should then answer the following questions and share their findings with the class. (Objective 2)
 - a. Describe Starbucks's major products through the use of the BCG matrix.
 - b. Using the Product/Market Expansion Grid, shown in Figure 2.3, identify potential growth opportunities for Starbucks.
 - c. What competitive strategies have been developed by Starbucks to combat inroads made by such companies as McDonalds?

Individual Assignments

1. Read the opening chapter vignette on NASCAR. Think about the answers to the following questions and share those answer with the class. (Objectives 1 & 4)
 - a. What form of media do you believe NASCAR is not using to its fullest potential? Why?
 - b. It has been said that NASCAR is not really about racing; it's more of an event. What does this statement mean to you?
 - c. Describe NASCAR's strong customer-driven marketing programs.
2. How would you describe a "market niche?" Describe four product/services that you own or consume that you would consider to be "niche" products. Why do you believe this to be true? (Objective 2)

Think-Pair-Share

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.

1. 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? (Objective 2)
2. Why would a focus on the 4 Cs be more important than the 4 Ps? What is a value-delivery network? How does this concept differ from that of the value chain? (Objective 4)
3. Explain the concept of return on marketing. Why is this important? (Objective 5)

Outside Examples

1. The marketing mix is the set of controllable, tactical marketing tools the firm blends to produce the responses it wants from the target market. These marketing tools can all be collected into four sets of variables known as the "four Ps." Consider Southwest Airlines (www.southwest.com). Briefly describe the "four Ps" employed by Southwest. (Objective 4)

Possible Solution. The product being offered, in the case of Southwest Airlines, is transportation. Just because it is not a physical entity does not mean it is not a product. Price is the amount of money customers pay in order to receive the product. In the case of airlines, this price is very volatile and changes frequently based on availability, time from departure, and myriad other variables. Place involves everything that Southwest does to make its product available to the consumer. Not only the airports, but also the ticket counters and self-service kiosks. Finally, promotion is everything involved in communicating Southwest to the customer. This includes traditional television and billboard advertising. This also includes their easy to navigate website and their enthusiastic employees.

2. The marketing mix is composed of the "four Ps." Take a look at Continental Airlines (www.continental.com). Let's concentrate on the P of Pricing. Over a two-week period, track the fares charged for a roundtrip ticket between two of your favorite locations (such as Las Vegas and Houston). Be certain to keep your departure and return dates constant so that you can observe how fares change over time. How can you explain the constant variation in fares? (Objective 4)

Possible Solution. Students will observe that there are wildly varying and constantly changing fares over time. Students may come up with a variety of reasons for fare differences: time of day; first versus coach class; popularity of the route; or time until departure are all possibilities. In essence, students will realize that there are a multitude of possibilities to consider when setting price.

Web Resources

1. <http://247.prenhall.com>
This is the link to the Prentice Hall support link.
2. <http://www.nascar.com/>

This site is great for everything NASCAR.

3. <http://www.coldstonecreamery.com/>
Here students can find information about Cold Stone Creamery and their mission statement.
4. http://www.valuebasedmanagement.net/methods_bcgmatrix.html
This link provides a good and easy to understand discussion of the BCG Matrix.
5. http://www.managementhelp.org/plan_dec/str_plan/str_plan.htm
This link is a useful tool to further understand the basics of strategic planning in for-profit and not-for-profit organizations.
6. <http://disney.go.com/index>
Here you will find information about Disney's business portfolio.