Marketing The Core 6th edition Kerin Solutions Manual

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2 DEVELOPING SUCCESSFUL ORGANIZATIONAL AND MARKETING STRATEGIES

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POWERPOINT RESOURCES TO USE WITH LECTURES

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LEARNING OBJECTIVES (LO)

After reading this chapter students should be able to:

LO 2-1: Describe three kinds of organizations and the three levels of strategy in them.

LO 2-2: Describe core values, mission, organizational culture, business, and goals.

LO 2-3: Explain why managers use marketing dashboards and marketing metrics.

LO 2-4: Discuss how an organization assesses where it is now and where it seeks to be.

LO 2-5: Explain the three steps of the planning phase of the strategic marketing process.

LO 2-6: Describe the four components of the implementation phase of the strategic marketing process.

LO 2-7: Discuss how managers identify and act on deviations from plans.

KEY TERMS

business p. 28

business portfolio analysis p. 32

core values p. 26

diversification analysis p. 34

goals p. 28

market segmentation p. 37

market share p. 28

marketing dashboard p. 29

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LECTURE NOTES

STARTING A BUSINESS BY GETTING AN "A" IN AN ICE CREAM MAKING COURSE!

- Ben & Jerry's started in 1978 when friends Ben Cohen and Jerry Greenfield:
  - **a.** Had "aced" their $5 college correspondence course in ice cream making.
  - **b.** Invested $12,000 in a renovated Vermont gas station from borrowed/saved funds.
- Ben & Jerry's successfully implemented highly creative organizational and marketing strategies, which include:
  - **a.** *Caring Dairy*. Buys milk products from a dairy cooperative that are bovine growth hormone-free.
  - **b.** *PartnerShops*. Uses social entrepreneurship to:
    - Help community-based nonprofit organizations to…
    - Better the lives of at-risk youth and young adults by giving them jobs.
  - **c.** *B-Corp Certified*. Received the honor from B-Lab because Ben & Jerry's:
    - "Uses the power of business to solve social and environmental problems."
    - Positively impacts the community and environment within which it operates.
- Ben & Jerry's mission links the form to social causes designed to both improve humanity and market delicious products with creatively funky names.
- Ben & Jerry's is now owed by Unilever.
- Ben & Jerry's is the market leader in the global premium ice cream industry, which is expected to reach $68 billion in sales by 2015. The company has over 7 million Facebook fans.
- Ben & Jerry's and other organizations set goals to give an overall direction to their organizational and marketing strategies.
- Their marketing departments convert these goals into plans that are implemented and then evaluated.

I. TODAY'S ORGANIZATIONS [LO 2-1]

In studying today's visionary organizations, one must understand three things:

(1) The kinds of organizations that exist.

(2) What strategy is.

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(3) How strategy relates to the three levels of structure found in large organizations.

A. Kinds of Organizations

- An *organization* is a legal entity of people who share a common mission.
- This mission motivates organizations to:
  - **a.** Develop *offerings*, which are goods, services, or ideas that…
  - **b.** Create value for both the organization and its customers.
- Organizations consist of three types:

(1) *For-profit organization*.

- Is often called a *business firm* and is a privately owned organization that…
- Serves its customers in order to earn a **profit**, which is the:
  - Money left after a for-profit organization subtracts its total expenses from its total revenues.
  - Reward for the risk it undertakes in marketing its offerings.
- Must earn a profit to survive.

[QL 2-1: Cree LED Bulb Ad]

(2) *Nonprofit organization*.

- Is a nongovernmental organization that…
  - Serves its customers but does not have profit as an organizational goal.
- Goals include operational efficiency or client satisfaction.
- Examples: Charities and cooperatives.

(3) *Government agency*.

- Is a federal, state, county, or city unit that provides a specific service to its constituents.
- Example: Census Bureau.

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MAKING RESPONSIBLE DECISIONS

Social Responsibility: Using Social Entrepreneurship to Help People

- Teach for America and SightLife are examples of "social entrepreneurs."
- *Social entrepreneurship*.
  - **a.** Applies innovative approaches to…
  - **b.** Organize, create, and manage a venture to…
  - **c.** Solve the practical needs of society.

  (3) Social entrepreneurs:

  - **a.** Usually are nonprofit organizations.
  - **b.** Focus on issues facing people who lack the financial or political means to solve their own problems.
- **Teach for America**.
  - **a.** Is a national corps of recent college graduates who commit to teach for two years in urban and rural public schools.
  - **b.** In 2013, more than 10,000 corps members taught 750,000 students; nearly 28,000 alumni continue to work for the changes necessary to ensure educational excellence and equity.
- **SightLife**.
  - **a.** Has a mission "to end cornea blindness" which affects 10 million people globally; they can be cured by transplanting a donated, healthy cornea to replace a diseased one.
  - **b.** SightLife works with eye surgeons and health organizations in about 30 countries and provides more than 14,000 corneas for transplant.

- The terms *firm*, *company*, and *organization* are used interchangeably to cover both for-profit and nonprofit organizations.
- Grouping together organizations that develop similar offerings creates an *industry*, such as the automobile industry or the ice cream industry.

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a. The dynamics of an industry and how it is structured impacts the strategic decisions organizations make.

b. For organizations, these strategic decisions create a compelling and sustainable competitive advantage to achieve superior performance for its offerings.

c. Organizations must understand the industry within which they compete.

B. What Is Strategy?

- An organization has limited human, financial, technological, and other resources available to produce and market its offerings—it can't be all things to all people!
- **Strategy** is an organization's long-term course of action designed to deliver a unique customer experience while achieving its goals.

a. All organizations set a strategic direction.

b. Marketing helps to set a strategic direction and to move the organization there.

C. The Structure of Today's Organizations

[Figure 2-1] Large organizations are very complex and consist of three levels:

1. **Corporate Level**. The level in an organization where top management directs overall strategy for the entire organization. Consists of:

a. Board of directors, individuals both inside and outside the organization.

b. Chief executive officer (CEO), the highest ranking officer in the organization.

- CEOs must possess leadership skills and have the expertise to:
  - Oversee the organization's daily operations.
  - Spearhead its strategic planning efforts.

c. Chief marketing officer (CMO), develops and implements the organization's strategy to achieve its goals.

- Must think strategically to deliver value to the organization.
- Must have:
  - Multi-industry backgrounds.
  - Analytical skills.
  - Cross-functional expertise.
  - Intuitive marketing insights.
- Is often called upon to be their organization's visionary.

2. **Strategic Business Unit Level**. The level in multimarket, multiproduct firms where managers manage a portfolio or groups of businesses.

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a. A *strategic business unit* (SBU) is a subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined target market.

b. At the *strategic business unit level*, managers set a focused direction for their unit to exploit value-creating opportunities.

c. For firms with a single business focus like Ben & Jerry's, the corporate and business unit levels may merge.

3. Functional Level. The level in an organization where groups of specialists actually create value for the organization.

a. A *department* refers to those specialized functions, such as marketing.

b. At this level, the strategic direction becomes more specific.

c. A key role of the marketing department is to:

- Listen to customers, develop offerings, implement marketing program actions.
- Evaluate whether these actions achieved the organization's goals.

d. *Cross-functional teams*:

- Are formed by senior management to develop new or improve existing offerings and consist of a small number of people from different departments…
- Are mutually accountable to accomplish a task or common set of performance goals.
- Will sometimes have outsiders such as suppliers and customers, to assist .

LEARNING REVIEW

2-1. What is the difference between a for-profit and a nonprofit organization?

Answer: A for-profit organization is a privately owned organization that serves its customers to earn a profit so that it can survive. A nonprofit organization is a nongovernmental organization that serves its customers but does not have profit as an organizational goal. Instead, its goals may be operational efficiency or client satisfaction.

2-2. What are examples of a functional level in an organization?

Answer: The functional level in an organization is where groups of specialists from the marketing, finance, manufacturing/operations, accounting, information systems, research & development, and/or human resources departments focus on a specific strategic direction to create value for the organization.

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II. STRATEGY IN VISIONARY ORGANIZATIONS [LO 2-2; LO 2-3]

- Successful organizations must be forward looking—anticipating and responding quickly and effectively to future events.
- **[Figure 2-2]** A visionary organization:
  - **a.** Specifies its foundation (why does it exist?).
  - **b.** Sets a direction (what will it do?).
  - **c.** Formulates strategies (how will it do it?).

A. Organizational Foundation: Why Does It Exist?

- An organization's foundation is its philosophical reason for being—why it exists. Successful visionary organizations use this foundation to guide and inspire their employees through their core values, mission, and organizational culture.

1. Core Values.

a. Are developed by the organization's founders or senior management and are the fundamental, passionate, and enduring principles of an organization that guide its conduct over time.

b. Values are consistent with their essential beliefs and character and capture the collective heart and soul of the organization.

c. Values serve to inspire and motivate its stakeholders to take productive action and motivates the *stakeholders* of an organization:

- Employees.
- Shareholders.
- Board of directors.
- Suppliers.
- Distributors.
- Creditors.
- Unions.
- Government.
- Local communities.
- Customers.

d. Core values are timeless, guide the organization's conduct, and must be communicated and supported by top management and employees.

2. Mission.

a. Is a statement of the organization's function in society that often identifies its customers, markets, products, and technologies.

b. Is shaped by an organization's core values and is often used interchangeably with *vision*.

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c. A *mission statement* should be clear, concise, meaningful, inspirational, focused, and long-term.

d. Medtronic's founder, Earl Bakken, wrote a mission statement half a century ago, and it remains virtually unchanged:

"To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life."

e. Mission statements offer a clear, challenging, and compelling picture of an envisioned future.

f. Some organizations, such as Ben & Jerry's, have added a social element to their mission statements to reflect their moral ideals.

g. Stakeholders are asking organizations to be exceptional citizens by providing long-term value while solving society's problems.

3. Organizational Culture.

a. An **organizational culture** is the set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization.

b. An important corporate-level marketing function is communicating its core values and mission to its stakeholders.

c. Example: Medtronics presents new employees with a medallion that has a "rising figure" on one side and its mission statement on the other side.

B. Organizational Direction: What Will It Do?

Figure 2-2 shows that the organization's foundation enables it to set a direction, in terms of (1) the "business" it is in and (2) its specific goals.

1. Business.

a. A **business** describes the clear, broad, underlying industry or market sector of an organization's offering.

b. An organization defines its business by looking at the set of organizations that sell similar offerings—those that are in direct competition with each other. (Ex: The ice cream business—for Ben & Jerry's.)

c. The organization answers these questions:

- "What do we do?" and "What business are we in?"

d. Harvard professor Theodore Levitt's *Marketing Myopia* article states that organizations must not define their business and customer focus too narrowly. (Ex: Railroads are in the "transportation" business, not the railroad business; newspaper, magazine, and book publishers are in the "information delivery"

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business.

e. Following this Levitt's idea, Rovio (developer of Angry Birds video game) has defined itself as an "entertainment company."

[*QL 2-2: Angry Birds Video*]

2. Goals.

a. Goals or **objectives** (used interchangeably) are statements of an accomplishment of a task to be achieved, often by a specific time.

b. Goals convert the organization's mission and business into performance targets to measure how well it is doing.

c. Business firms pursue several different types of goals:

- *Profit*. Most firms seek the highest financial return on their investments (ROI) as possible.
- *Sales* (dollars or units). A firm may elect to maintain or increase sales even though profitability may not be maximized.
- ***Market share***. The ratio of sales revenue of the firm to he total sales revenue of all firms in the industry, including the firm itself.
- *Quality*. A firm may choose to focus on delivering the highest quality.
- *Customer satisfaction*. Customers are the reason an organization exists and their perceptions and actions are of vital importance to organizations. Satisfaction can be monitored through surveys or complaints.
- *Employee welfare*. Employees play a critical role in the firm's success.
- *Social responsibility*. A firm may seek to balance the conflicting goals of its stakeholders to promote their overall welfare, even at the expense of profits.

d. Nonprofit organizations also set goals such as to strive to serve customers efficiently. Government agencies try to serve the public good.

C. Organizational Strategies: How Will It Do It?

Figure 2-2 shows that the organization's strategies are concerned with the "how"—the actual results. Strategies can vary in two ways:

1. Variation by Level. Moving from the corporate level to the strategic business unit level to the functional level involves creating increasingly detailed strategies and plans.

a. Corporate level—Top managers are concerned with writing meaningful mission

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statements.

b. Functional level—Managers are concerned with implementing marketing strategies and tactics.

2. Variation by Product. Organizational strategies also vary by the organization's products.

a. The strategy will be far different when marketing a very tangible physical good, a service, or an idea.

b. Most organizations develop a marketing plan as a part of their strategic marketing planning efforts.

- A **marketing plan** is a road map for the marketing activities of an organization for a specified future time period, such as one year or five years.
- The planning phase of the strategic marketing process results in a marketing plan that directs the marketing actions of an organization.

[*ICA 2-1: Calculating a "Fog Index" for Your Own Writing*]

LEARNING REVIEW

2-3. What is the meaning of an organization's mission?

Answer: A mission is a clear, concise, meaningful, inspirational, and long-term statement of the organization's function in society, often identifying its customers, markets, products, and technologies. It is often used interchangeably with *vision*.

2-4. What is the difference between an organization's business and its goals?

Answer: An organization's business describes the clear, broad, underlying industry or market sector of an organization's offering. An organization's goals (or objectives) are statements of an accomplishment of a task to be achieved, often by a specific time.

D. Tracking Strategic Performance with Marketing Dashboards [LO3]

Marketing dashboards allow marketing managers to:

- Measure performance to know whether they are making progress regarding their strategic direction.

1. Car Dashboards and Marketing Dashboards.

a. A **marketing dashboard** is the visual computer display of the essential information related to achieving a marketing objective.

b. A marketing dashboard can also provide further detail using active hyperlinks.

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c. On a car's dashboard, we glance at the fuel gauge and take action when our gas is getting low.

d. With a marketing dashboard, a marketing manager:

- Glances at a graph or table and makes a decision whether to take action or analyze the problem further.

2. Dashboards, Metrics, and Plans.

a. **[Figure 2-3]** Sonatica's (a hypothetical firm) marketing dashboard graphically displays key performance indicators linked to its product lines.

b. Each performance variable is a **marketing metric**, which is a measure of the quantitative value or trend of marketing action or result.

c. Only a few metrics should be shown on a marketing dashboard so that managers aren't overwhelmed with too much irrelevant data.

d. Today's marketers use *data visualization*, which:

- Presents information about an organization's marketing metrics graphically so marketers can spot deviations from plans during the evaluation phase and take corrective actions.

e. This book uses data visualization in many of its figures to highlight in color key points described in the text.

f. To show how parts of a business are performing, data visualization tools include:

- Bullet graphs.
- Maps.
- Pie charts.
- Spark line graphs.
- Bar graphs.
- Others.

g. **[Figure 2-3A]** *Website Traffic Sources*.

- The color-coded perimeter shows the three main sources of website traffic.
- These three colors link to those of the circles in the column of website traffic sources.
- Each of eight specific sources represented as one slice in the pie.
  - Referral sites at 47%, of which:
    - Sonatica's Facebook visits comprise 15 percent of website traffic (see the horizontal bullet graphs to the left).
    - Up from a month ago (as shown by the vertical line).
  - Search engines at 37 percent.
  - Direct traffic at 16 percent.

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h. [Figure 2-3B] *Sales Performance by SBU*.

- The *spark lines*:
  - Are the wavy lines in the far left column.
  - Show the 13-month trends of Sonatica's strategic business units.
- The trends in electronics and peripherals are generally up, causing their sales to exceed their YTD (year to date) targets.
- Conversely:
  - Both software and hardware sales failed to meet YTD targets…
  - Which is noted by the red "warning" circles in their rows at the far right.
  - This suggests that immediate corrective actions are needed for the software and hardware SBUs.

i. [Figure 2-3C] *Website Visits by State*.

- The U.S. map shows that the darker the state, the greater the number of website visits for the current month.
- In terms of monthly visits:
  - Texas has close to 20,000 visits per month.
  - Illinois has none.

j. The Ben & Jerry's dashboard in the Using Marketing Dashboards box:

- Shows how the two widely used marketing metrics of dollar sales and dollar market share helps the company assess its growth performance that leads to marketing actions.

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USING MARKETING DASHBOARDS

How Well is Ben & Jerry's Doing?

Dollar Sales and Dollar Market Share

Marketers use the common dollar sales and dollar market share metrics to assess their organization's growth performance in the marketplace.

Your Challenge.

As the marketing manager for Ben & Jerry's, you have been asked to provide a snapshot of the firm's super-premium ice cream product line performance within the U.S. from 2013 to 2014. You choose the following marketing metrics: dollar sales and dollar market share.

Scanner data from checkout counters in grocery stores and other retailers show that the total industry sales for the super-premium category of ice cream—the segment of the market within which Ben & Jerry's competes—for 2014 were $1.25 billion. The Ben & Jerry's sales department reports that the firm sold 50 million units at an average price of $5.00 per unit in 2014, resulting in total dollar sales of $250 million. A unit of super-premium ice cream is one pint.

Your Findings. Dollar sales and dollar market share metrics for 2014 are calculated as follows:

Dollar Sales ($) = Average Price × Quantity Sold

Dollar Sales ($) = $5 per Unit × 50 Million Units

Dollar Sales ($) = $250 Million

$$\text{Dollar Market Share (\%)} = \frac{\text{Ben \& Jerry's Sales (\$)}}{\text{Total Industry Sales (\$)}}$$

$$\text{Dollar Market Share (\%)} = \frac{\$250 \text{ million}}{\$1.25 \text{ billion}}$$

Dollar Market Share (%) = 0.20 or 20%

Further, your dashboard shows that dollar sales increased by $10 million from 2013 ($240 million) to 2014 ($250 million), and that dollar market share grew from 18.4 percent to 20.0 percent, an increase of 1.6 percent.

[See UMD02SalesMktShare.xls]

Your Action.

These results need to be compared with (1) the goals established for these metrics and (2) with previous years' results to see if the trends are increasing, flat, or decreasing. This will lead to marketing actions.

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III. SETTING STRATEGIC DIRECTIONS [LO 2-4]

Setting strategic directions involves answering two questions:

(1) Where are we now?

(2) Where do we want to go?

A. A Look Around: Where Are We Now?

Asking an organization where it is at the present time involves identifying its competencies, customers, and competitors.

1. **Competencies**. Answers the question, "What do we do best?"

   a. *Core competencies*.

      - Are a firm's special capabilities—skills, technologies, and resources.
      - Distinguishes them from other firms and provide value to its customers.
      - Should be distinctive enough to provide a competitive advantage.

   b. A *competitive advantage* is a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation.

[QL 2-3: Medtronic Video]

2. **Customers**. Strategy must provide genuine value and benefits to present and prospective customers to ensure they have a satisfying customer experience.

3. **Competitors**. Globally, the lines among competitors are increasingly blurred.

   a. Lands' End initially defined other catalog retailers as its competitors.

   b. **[Figure 2-C]** Intertype Competition:

      - Means that very dissimilar types of retail outlets compete with each other.
      - Today, as part of Sears, Lands' End competes with:
        – Not only other catalog clothing retailers…
        – But also department stores, mass merchandisers, specialty shops, Internet retailers, and…
        – Even itself: Standalone stores with departments within Sears.

B. Growth Strategies: Where Do We Want to Go?

- Knowing where the organization is at the present time enables managers to set a direction for the firm and allocate resources to move in that direction.

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- Business portfolio analysis and diversification analysis aid in decision-making.

1. Business Portfolio Analysis.

a. The Boston Consulting Group's (BCG) uses **business portfolio analysis**, which is a technique that managers use to quantify performance measures and growth targets to analyze its clients' strategic business units (SBUs) as though they were a collection of separate investments.

- The tool's purpose is to determine which SBU:
  - Generates cash or requires cash to fund the organization's growth opportunities.
- BCG analysis can also be applied at the product line, individual product (offering), or brand level.
- Many large U.S. firms have used the BCG's business portfolio analysis.

b. **[Figure 2-4]** A firm using business portfolio analysis positions each of its SBUs on a growth-share matrix.

- The vertical axis is the *market growth rate*, which is the annual rate of growth of the SBU's industry.
- The horizontal axis is the *relative market share*, defined as the sales of the SBU divided by the sales of the largest firm in the industry.
  - A relative market share of **10×** (at the left end of the scale) means that the SBU has 10 times the share of its largest competitor.
  - A share of **0.1×** (at the right end of the scale) means it has only 10 percent of the share of its largest competitor.

c. The BCG has given specific names and descriptions to the four quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization:

- *Cash cows* (lower left).
  - Are SBUs that generate more cash than they can use.
  - Have a dominant share of slow-growth markets.
  - Provide cash to cover the organization's overhead and…
  - Enable the organization to invest the excess cash in other SBUs.
- *Stars* (upper left).
  - Are SBUs with a high share of high-growth markets.
  - Require extra cash to finance future growth.
  - Are likely to become *cash cows* when their growth slows.
- *Question marks* (or *problem children*—upper right).

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- Are SBUs with a low share of high-growth markets.
- Require large injections of cash to maintain or increase market share.
- Management chooses which of these SBUs to invest in and phase out.

- *Dogs* (lower right).
  - Are SBUs with a low share of slow-growth markets.
  - May generate enough cash to sustain themselves.
  - May not become winners for the organization.
  - Dropping *dogs* may be required if they consume more cash than they generate unless these conditions exist:
    * Relationships with other SBUs.
    * Competitive considerations.
    * Potential strategic alliances that benefit the firm.

d. An organization's SBUs often start as *question marks* and go counterclockwise to become *stars*, then *cash cows*, and finally *dogs*.

e. Because an organization has limited influence on the market growth rate, its main objective is to try to change its relative dollar or unit market share.

f. When changing an SBU's relative market share, management must decide what strategic role each SBU should have in the future and either inject or remove cash from it.

g. **[Figure 2-4]** Using the BCG business portfolio analysis, Figure 2-4 shows what Apple's four principal SBUs might look like from 2013 to 2016.

1. *iPhone* (smartphones).
- In 2007 Apple launched its revolutionary iPhone, the first smartphone that used a multi-touch user interface. iPhone unit sales skyrocketed but have since leveled off.
- By 2017 the smartphone market is expected to grow at a compound annual rate of 13 percent due to dropping average smartphone prices.
- As of mid-2013, Apple's iPhone had a 15 percent unit market share of the global smartphone market, second to Samsung with a market share of 41 percent.
- As a result, Apple's iPhone SBU is a *question mark* (low market share in a high growth market). until it introduces new models.

2. *iPad* (tablets).
- In 2010, Apple launched the iPad. By mid-2013, unit sales reached an astonishing 40 percent market share, leading both Samsung's Galaxy

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(18 percent) and Amazon's Kindle (4 percent).

- Global tablet unit sales are expected to more than double by 2016 as consumers switch from desktop and laptop PCs to tablet devices…
  - With Apple still the market share leader.
- As a result, Apple's iPad SBU that is now a *star* may move to a *cash cow* as tablet devices mature.

3. *iPod* (MP3 music players).

- In 2001, Apple entered the MP3 player market with its iPod device.
- Today, Apple sells four iPod product lines (classic, nano, shuffle, and touch).
- By mid-2013 Apple had a 70 percent share of this market. However, global MP3 music player unit sales are expected to decline by 2016 due to increasing sales of smartphones.
- As a result, Apple's iPod SBU is a *cash cow* (high market share in a low growth market).

4. *iMac/Mac Pro/MacBook* (Apple's desktop and laptop PCs).

- By mid-2013, Apple offered:
  - Three lines of desktops—Mac Pro, iMac, and Mac mini.
  - Two lines of laptops—MacBook Pro and MacBook Air.
- Global PC unit sales have declined in recent years due to the growth of tablet devices.
- By 2016, global PC unit sales are expected to fall dramatically due to the explosion in tablet device sales.
- As a result, Apple's Mac PCs SBU appears to be a *dog* (low market share in a low growth market).

- In terms of priority, perhaps Apple will:
  - "Milk" the cash generated from the MacPro/iMac/MacBook PC SBU [4] and iPod MP3 player SBU [3] to…
  - Fund the investments needed to exploit the growth opportunities projected for the iPhone smartphone SBU [1] and the iPad/iPad mini tablet devices SBU [2].
- The primary strength of business portfolio analysis:
  - Lies in forcing a firm to place each of its SBUs in the growth-share matrix, which…
  - Suggests which SBUs will be cash producers and cash users in the future.
- Weaknesses of this analysis arise from the difficulty in:

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- Getting the needed information.
- Incorporating competitive data into business portfolio analysis.

[*QL 2-4: B&J's Bonnaroo Buzz Ad*]

2. Diversification Analysis.

a. Diversification analysis is a technique that helps a firm search for growth opportunities from among:

- Current and new markets.
- Current and new products.

b. For any market, there is both a current product (what the firm now sells) and a new product (something the firm might sell in the future).

c. For any product, there is both a current market (existing customers) and a new market (potential customers).

d. As organizations seek to increase sales revenues, they consider all four market-product strategies.

e. [Figure 2-5] Using Ben & Jerry's as an example, these four market-product strategies are:

- *Market penetration*.
  - Is a marketing strategy to increase sales of current products in current markets.
  - Example: Selling more Ben & Jerry's Bonnaroo Buzz Fair Trade-sourced ice cream to U.S. customers.
  - There is no change in the basic product line or the market served.
  - Increased sales to existing customers are possible either by selling:
    * More of the product through better promotion or distribution.
    * The same amount of the product at a higher price.

- *Market development*.
  - Is a marketing strategy to sell current products to new markets.
  - Example: Selling Ben & Jerry's Bonnaroo Buzz Fair Trade-sourced ice cream to Brazilian customers, an attractive market.
  - Is risky if:
    * The firm has no experience selling in the new market.

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    - Prospective customers are unfamiliar with the brand.

- *Product development*.
  - Is a marketing strategy to sell a new product to current markets.
  - Example: Selling Ben & Jerry's branded children's clothing to U.S. customers.
  - Is risky because customers may not see a clear connection between a company's expertise in one offering extending to another.
- *Diversification*.
  - Is a marketing strategy to sell new products in new markets.
  - Ex.: Selling Ben & Jerry's children's clothing to Brazilian customers.
  - Is a potentially high-risk strategy because the company has neither previous production nor marketing experience on which to draw.

LEARNING REVIEW

2-5. What is the difference between a marketing dashboard and a marketing metric?

Answer: A marketing dashboard is the visual computer display of the essential information related to achieving a marketing objective. Each variable in a marketing dashboard is a marketing metric, which is a measure of the quantitative value or trend of a marketing action or result.

2-6. What is business portfolio analysis?

Answer: Business portfolio analysis is a technique that managers use to quantify performance measures and growth targets to analyze their firms' strategic business units (SBUs) as though they were a collection of separate investments. The purpose of this tool is to determine which SBU or offering generates cash and which one requires cash to fund the organization's growth opportunities.

2-7. Explain the four market-product strategies in diversification analysis.

Answer: The four market-product marketing strategies in diversification analysis are:

- *Market penetration*. Increasing sales of current products in current markets. There is no change in either the basic product line or the markets served.
- *Market development*. Selling current products to new markets.
- *Product development*. Selling new products to current markets.
- *Diversification*. Developing new products and selling them in new markets.

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IV. THE STRATEGIC MARKETING PROCESS [LO 2-5; LO 2-6; LO 2-7]

- After the organization assesses where it's at and where it wants to go, it asks:

  1. How do we allocate our resources to get to where we want to go?

  2. How do we convert our plans into actions?

  3. How do our results compare with our plans, and do deviations require new plans?

- The **strategic marketing process** is an approach whereby an organization allocates its marketing mix resources to reach its target markets.

[*ICA 2-2: Marketing Yourself*]

- **[Figure 2-6]** This process has 3 phases: planning, implementation, and evaluation.

A. The Planning Phase of the Strategic Marketing Process

- The planning phase consists of three steps as outlined below.

1. Step 1: Situation (SWOT) Analysis.

a. A **situation analysis** involves taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends affecting it.

b. **[Figure 2-7]** A **SWOT analysis** is an acronym describing an organization's appraisal of its internal **S**trengths and **W**eaknesses and its external **O**pportunities and **T**hreats.

c. A SWOT analysis studies four areas to build a firm's marketing program:

- Identifying trends in the organization's industry.
- Analyzing the organization's competitors.
- Assessing the organization itself.
- Researching the organization's present and prospective customers.

d. The Ben & Jerry's SWOT analysis table in Figure 2-7 shows:

- The combination of internal versus external factors (the rows).
- Favorable versus unfavorable factors (the columns).
- Ben & Jerry's strengths, weaknesses, opportunities, and threats.

e. The goal is to identify the *critical* strategy-related factors that impact the firm.

f. The task is to translate the SWOT analysis into specific marketing actions.

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g. The Ben & Jerry's SWOT analysis suggests the following:

- *Build on a strength*. Find distribution efficiencies with Unilever's existing ice cream brands.
- *Correct a weakness*. Recruit experienced managers from other consumer products firms to help stimulate growth.
- *Exploit an opportunity*. Develop a new line of low-fat frozen yogurts to respond to consumer health concerns.
- *Avoid a disaster-laden threat*. Focus on less risky international markets, such as Brazil and Argentina.

2. Step 2: Market-Product Focus and Goal Setting.

a. Developing a marketing program involves determining what products will be targeted at which customers.

b. This decision often based on **market segmentation**, which involves aggregating prospective buyers into groups, or segments, that (1) have common needs and (2) will respond similarly to a marketing action.

c. A firm can identify the segments on which it will focus its efforts—its target market segments—and develop specific marketing programs to reach them.

d. Goal setting involves setting measurable marketing objectives to be achieved.

- For a specific market, the goal may be to introduce a new product.
- For a specific brand or product, the goal may be to create a promotional campaign or pricing strategy to get more consumers to purchase it.

e. Medtronic's 5-year plan for its Champion heart pacemaker is to reach the "affordable and reliable" Asian segments:

- *Set marketing and product goals*.
  - Chances of new-product success are increased by specifying both market and product goals.
  - For the Champion pacemaker: Design and market such a pacemaker in three years for the Asian market.
- *Select target markets*. The pacemaker will be targeted at cardiologists and medical clinics in India, China, and other Asian countries.
- *Find points of difference*.
  - **Points of difference** are those characteristics of a product that make it superior to competitive substitutes.
  - A competitive advantage is a unique strength of an entire organization compared to its competitors.

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  - For the Champion pacemaker:
    * High quality, long life, reliability, ease of use, and low cost.
    * NOT state-of-the-art features that drive up production costs.
- *Position the product*.
  - "Positioned" in cardiologists' and patients' minds as a medical device that is high quality and reliable with a long, nine-year life. The "Champion" name was selected after testing names in Asia.

3. **Step 3: Marketing Program**.

   a. This step is the "*how*" aspect of the planning phase: developing the marketing program's marketing mix and the budget.

   b. **[Figure 2-8]** Shows the components of each marketing mix element that comprise a cohesive marketing program.

   c. Example: Medtronic's Champion heart pacemaker.
   - *Product strategy*. Offer a pacemaker with features Asian patients need.
   - *Price strategy*. Control costs to price it below $1,000 (U.S.).
   - *Promotion strategy*. Demonstrate its beneficial features at medical conventions across Asia.
   - *Place (distribution) strategy*. Search out and train reputable medical distributors across Asia to call on cardiologists and medical clinics.

LEARNING REVIEW

2-8. What are the three steps of the planning phase of the strategic marketing process?
Answer: The three steps of the planning phase of the strategic marketing process are:
- *Situation analysis*. Involves taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends affecting it.
- *Market*-product *focus and goal setting*. Determines what products an organization will offer to which customers.
- Marketing *program*. Is where an organization develops the marketing mix elements and budget for each offering.

2-9. What are points of difference and why are they important?
Answer: Points of difference are those characteristics of a product that make it superior to competitive substitutes—offerings the organization faces in the marketplace. They are important factors in the success or failure of a new product.

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B. The Implementation Phase of the Strategic Marketing Process [LO6]

- The second phase of the strategic marketing process—implementation—involves carrying out the marketing plan that emerges from the planning phase.
- If the firm cannot execute the marketing plan—in the implementation phase—the planning phase wasted time and resources.
- The implementation phase of the strategic marketing process has four components.

1. Obtaining Resources.

a. The marketing manager must obtain the human and financial resources necessary to successfully execute the marketing program.

b. Small business owners often obtain funds from savings, family, friends, and bank loans.

c. Marketing managers in existing organizations obtain these resources by getting top management to divert profits from BCG stars or cash cows.

2. Designing the Marketing Organization.

a. A marketing program needs a marketing organization to implement it by converting marketing plans into reality.

b. **[Figure 2-9]** Shows the organization chart of a typical manufacturing firm, giving some details of the marketing department's structure.

- Four managers of marketing activities are shown to report to the vice president of marketing or CMO.
- Several regional sales managers and an international sales manager may report to the manager of sales.

c. The entire marketing organization is responsible for converting these marketing plans to reality as part of the corporate marketing team.

3. Defining Precise Tasks, Responsibilities, and Deadlines.

a. Successful implementation requires that people know the tasks for which they are responsible and the deadlines for completing them.

b. The outcome of meetings should be an *action item list*, which is an aid to implementing a marketing plan, consisting of four columns:

- The task.
- The person responsible for completing that task.
- The date to finish the task.

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- What is to be delivered.

c. Within hours of completing a meeting, the action item list:

- Is circulated to those attending.
- Serves as the starting agenda for the next meeting.

d. An action item list:

- Is forward looking.
- Clarifies the targets.
- Puts pressure on people to achieve their tasks by the specified deadlines.

e. **[Figure 2-10]** You are part of a team that is required to do a term project on "How the college can increase attendance at its performing arts concerts?"

- The instructor limits the project in the following ways:
  - A mail survey must be used to collect data from a sample of students regarding their attitudes, behaviors, etc. on concert attendance.
  - The term paper must be submitted by the end of the 11-week quarter.
- To begin the assignment, you need to:
  - Identify all the project tasks and estimate the time you required to complete each one.
- To complete it in 11 weeks, your team:
  - Must work on different activities at the same time (concurrently), plus some activities must be independent enough to overlap (sequentially).
- Requires specialization and cooperation between Students A, B, and C:
  - Suppose only Student C can type.
  - Student A might construct the survey and select the sample.
  - Student B might tabulate the data.
  - Must figure out which activities can be done concurrently to save time.

f. **[Figure 2-10]** Scheduling activities can be done efficiently with a *Gantt chart*:

- Is a graphical representation of a program schedule, which shows the relationships through time of the various program tasks and is related to action item lists.
- Software programs, such as Microsoft Project, simplify the task of developing a schedule or Gantt chart.
- The key to all scheduling techniques is to distinguish:
  - Tasks that *must* be done sequentially from those that *can* be done concurrently.

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g. Tasks 1 and 2 that are shaded red in Figure 2-10 *must* be done sequentially.

- This is because in order to type and copy the final questionnaire before mailing (Task 2)…
- The student *must* have a final draft of the questionnaire (Task 1).

h. Tasks 6 and 7 that are shaded blue *can* be done concurrently.

- So writing the final report (Task 7) *can* be started before…
- Tabulating the questions (Task 6) is completed.
- This overlap speeds up project completion.

4. Executing the Marketing Program.

a. The effective execution of a marketing plan requires attention to detail for both marketing strategies and marketing tactics.

b. Marketing strategy.

- The means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it.
- The term implies both the end sought (target market) and actions to achieve it (marketing program).

c. Marketing tactics.

- Are the detailed day-to-day operational marketing actions for each element of the marketing mix that contribute to the overall success of marketing strategies.
- Examples: Writing ads and setting prices for new product lines.

b. Marketing tactics are detailed day-to-day operational decisions essential to the overall success of marketing strategies.

C. The Evaluation Phase of the Strategic Marketing Process [LO7]

- The evaluation phase of the strategic marketing process:

a. Seeks to keep the marketing program moving in the direction set for it.

b. Follows the planning and implementation phases.

- Accomplishing this requires the marketing manager to:

a. Compare:

- The results of the marketing program with…
- The goals in the written plans to identify deviations.

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1. **Comparing Results with Plans to Identify Deviations**.

   a. **[Figure 2-11]** Apple begins the evaluation phase of its strategic marketing process at the end of its fiscal year, which is September 30.

   b. Suppose you are on an Apple task force in late 2005 that is responsible for making plans through 2013.

   c. You observe that:

   - Extending the 2000 to 2005 trend of Apple's recent sales revenues (line AB) to 2013 along line BC…
   - Shows an annual growth in sales revenue unacceptable to Apple.

   d. Looking at potential new products in the Apple pipeline:

   - Your task force set an aggressive annual sales growth target of 25 percent per year—the line BD in Figure 2-11.
   - Results in sales revenues of $34 billion in 2009 and $78 billion in 2012.

   e. This reveals a gray wedge-shaped gap DBC in the figure:

   - Planners call this the *planning gap*:
     - The difference between the projection of the path to reach a new sales revenue goal (line BD) and…
     - The projection of the path of a plan already in place (line BC).
   - The purpose of a firm's marketing program is to "fill in" the planning gap.
   - In the case of Apple:
     - Move its future sales revenue line from the slow-growth line BC…
     - Up to the more challenging target of line BD.

   f. This is the essence of evaluation: Comparing actual results with goals set.

   g. To reach aggressive growth targets in sales revenues, firms like Apple must continuously look for a new SBU or product *cash cow* or *star*.

2. **Acting on Deviations**.

   a. When evaluation shows that actual performance differs from expectations:

   - Managers need to take immediate marketing actions and…
   - Exploiting positive deviations and correcting negative ones.

   b. Apple's:

   - Explosion in actual sales revenues from 2006 to 2013 (line BE)…

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- Compared to its target sales revenues (line BD)…
- Shows Apple's rare, world-class ability to both:
  - Generate and anticipate consumer demand and…
  - Commercialize new technologies for its revolutionary offerings.

c. Let's consider some of Apple's marketing actions:

- *Exploiting a positive deviation*.
  - Favorable customer reactions to Apple's iPhone (2007) and its iPad (2010) enable it to…
  - Sell the products globally and to introduce improved versions and models such as the iPad mini (2012).
- *Correcting a negative deviation*.
  - As Apple's desktop PCs became dated, it moved aggressively to replace them with new iMacs (2012) and MacPro (2013).
  - Apple introduced an iPhone mini in 2013 to spur sales in China, a huge market for smartphones.

c. In the BCG business portfolio analysis of the four Apple product lines:

- The firm has several *stars* and *cash cows* to fill in its planning gap.
- Apple's market-product strategies will be explored in more detail in Chapters 8 and 9.

LEARNING REVIEW

2-10. What is the implementation phase of the strategic marketing process?

Answer: The implementation phase carries out the marketing plan that emerges from the planning phase and consists of: (1) obtaining resources; (2) designing the marketing organization; (3) defining precise tasks, responsibilities, and deadlines; and (4) executing the marketing program designed in the planning phase.

2-11. How do the goals set for a marketing program in the planning phase relate to the evaluation phase of the strategic marketing process?

Answer: The planning phase goals or objectives are used as the benchmarks with which the actual performance results are compared in the evaluation phase to identify deviations from the written marketing plans and then exploit positive ones or correct negative ones.

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APPLYING MARKETING KNOWLEDGE

1. **(*a*) Using Medtronic as an example, explain how a mission statement gives a strategic direction. (*b*) Create a mission statement for your own career.**

   Answers:

   a. **Explain how a mission statement gives a strategic direction**. A mission statement is an expression of the organization's function in society, often identifying its customers, markets, products, and technologies. Medtronic's mission statement is "to contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life." The "rising mural" in its headquarters powerfully communicates the inspiration and focus of its mission to its stakeholders: employees, doctors, and patients alike. Moreover, it appears on a medallion that is presented to each new employee. Finally, each December five or six patients and their physicians describe to assembled employees how Medtronic products have changed their lives. These activities send clear messages to employees and other stakeholders about Medtronic's strategic direction.

   b. **Create a mission statement for your own career**. An example of a mission statement for a student's career might be: "To be recognized as an outstanding, ethically and environmentally responsible, global marketing executive."

2. **What competencies best describe (*a*) your college or university and (*b*) your favorite restaurant?**

   Answers:

   a. **Your college or university**. [NOTE: These vary along a continuum from community colleges to research universities.] Flexible course scheduling to accommodate the special needs of part-time and working students. A world-class research institution for biotechnology; student-oriented faculty.

   b. **Your favorite restaurant**. Genuine French cuisine. A family menu at a reasonable price.

3. **Compare the advantages and disadvantages of Ben & Jerry's attempting to expand sales revenues by using (*a*) a product development strategy or (*b*) a market development strategy.**

   Answers:

   a. **Product development strategy**. According to the text and Figure 2-5, this marketing strategy involves selling new products to current markets. For Ben & Jerry's, this could involve selling children's clothing under the Ben & Jerry's brand to Americans.

   Advantage: Ben & Jerry's could leverage its brand by selling children's clothing in the United States.

   Disadvantage: This strategy is risky because Americans may not see the company's expertise in ice cream as extending to children's clothing.

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b. **Market development strategy**. According to the text and Figure 2-5, this marketing strategy involves selling current products to new markets. For Ben & Jerry's, this could involve selling super-premium ice cream such as its Bonnaroo Buzz flavor, to Brazil.

Advantage: Brazil is an attractive new market for its super-premium ice cream because as household incomes of Brazilians increase, consumers can buy more ice cream.

Disadvantage: The Ben & Jerry's brand may be unknown to Brazilian consumers.

4. Select one strength, one weakness, one opportunity, and one threat from the SWOT analysis for Ben & Jerry's shown in Figure 2-7. Suggest an action that a marketing manager might take to address each factor.

Answers:

a. **Strength**. Leverage its brand name by continuing to offer crazy new flavors, products (ice cream, yogurt, sorbet, low-fat/carb, etc.). Promote its social mission in college campus newspapers in cities where Ben & Jerry's is sold, either in its own outlets or in grocery stores.

b. **Weakness**. Communicate the benefits of Ben & Jerry's social mission (number of people employed, trained, etc.). Develop and implement a management trainee program for those employees willing to make a long-term commitment to the firm.

c. **Opportunity**. Develop partnerships or franchise relationships with firms or individuals in markets where Ben & Jerry's has not yet fully penetrated, such as South America, Australia, etc. where ice cream consumption is moderate to strong. Also, develop ice cream-based products, such as ice cream sandwiches, cookies, cakes, etc.

d. **Threat**. Offer low-carb products with Splenda or other sugar substitutes. Find lower cost but socially responsible "Fair Trade" suppliers and manufacturers in overseas markets where consumers are more price-sensitive due to less income to spend on discretionary products like super premium ice cream.

5. What is the main result of each of the three phases of the strategic marketing process? (*a*) planning, (*b*) implementation, and (*c*) evaluation.

Answers:

a. **Planning phase**. Results are formal marketing plans that identify specific objectives to be achieved by a particular time and the specific actions to achieve those objectives.

b. **Implementation phase**. Results are formal measurements of the results achieved, which can be compared with the plans established in the planning phase to determine if any deviations from plans occurred.

c. **Evaluation phase**. Results are new actions taken to exploit opportunities where deviations from plans are better than expected or to take corrective actions where deviations from plans are worse than expected.

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6. Parts of tasks 5 and 6 in Figure 2-10 are done both concurrently and sequentially. (*a*) How can this be? (*b*) How does it help the students meet the term paper deadline? (*c*) What is the main advantage of scheduling tasks concurrently rather than sequentially?

Answers:

Figure 2-10 shows a Gantt chart that is used to schedule the various tasks and deadlines that are required to complete a project. Its goal is to demonstrate how the concurrent work on several tasks enables the project team to finish the project on time. The key to all scheduling techniques is to distinguish tasks that *must* be done sequentially from those that *can* be done concurrently.

a. **How some tasks can be done both concurrently and sequentially**. Task 5 involves collecting the returned questionnaires that were mailed in Task 4. Task 6 involves tabulating and analyzing data from returned questionnaires. Task 5 and the first part of Task 6—tabulating the questionnaires, can be done *concurrently* because as they come in, the data, which are generated from the answers to the questions asked in the questionnaire, can be entered into a software program like StatPac or Excel to build the database from which the data analyzed, the latter part of Task 6 so that that a draft of the final report can eventually be written—Task 7.

   However, these two tasks also must be completed *sequentially* because not all the questionnaires will be returned, most presumably by mail, at the same time. In the instructions for completion or letter accompanying the questionnaires, there likely will be an explicit due date communicated to respondents for the timely submission or return of their questionnaires so that they will be included in the results of the project.

b. **How some tasks done both concurrently and sequentially helps meet deadlines**. This overlap speeds up project completion since there is no need to wait until all the questionnaires have been received by an explicit due date (Task 5) before tabulation of the questionnaires can begin (Task 6).

c. **Advantage of scheduling tasks concurrently rather than sequentially**. Again, scheduling tasks with both concurrent and sequential tasks can speed up the completion of a project to save time and meet deadlines. In many cases, there is usually some pressure to meeting a deadline for one or more of the tasks of a project. There is a strong likelihood that some problem will occur that will delay its completion, which can jeopardize the completion of the entire project.

7. The goal-setting step in the planning phase of the strategic marketing process sets quantified objectives for use in the evaluation phase. What does a manager do if measured results fail to meet objectives? Exceed objectives?

Answers:

If the marketing manager discovers a planning gap, which is a difference between the projection of the path to reach a new goal and the projection of the path of the results of a plan already in place for the marketing program, he or she can take the following actions:

a. **Fails to meet objectives**. Correct a negative deviation by making minor or major changes to the existing marketing program of a product to better reflect future

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expectations in the marketing environment.

b. **Exceeds objectives**. Exploit a positive deviation by strengthening strategic partnerships, engage in a market development or product development strategy, etc. to maintain or enhance the firm's position.

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BUILDING YOUR MARKETING PLAN

1. **Read Appendix A, "Building an Effective Marketing Plan." Then write a 600-word executive summary for the Paradise Kitchens marketing plan using the numbered headings shown in the plan. When you have completed the draft of your own marketing plan, write a 600-word executive summary to go in the front of your own marketing plan.**

   Suggestions: In Question #1, students are asked to write a 600-word executive summary for the Paradise Kitchens marketing plan in Appendix A. This gives them a chance to practice a draft of an executive summary for their own marketing plan. This section should not be an introduction for the plan; make sure students focus on summarizing key elements of the plan so that an executive can quickly grasp the essentials.

2. **Using Chapter 2 and Appendix A as guides, give focus to your marketing plan by (*a*) writing your mission statement in 25 words of less, (*b*) listing three nonfinancial goals and three financial goals, (*c*) writing your competitive advantage in 35 words or less, and (*d*) doing a SWOT analysis table.**

   Suggestions: Question #2 asks students to get a jump start on writing their marketing plan by putting on paper their mission statement, non-financial and financial goals, competitive advantage for the organization, and a SWOT analysis. This is a very threatening first step for many students. To assist students in writing effective marketing plans, instructors should emphasize to students the importance of (a) reading the pertinent chapter(s) in the textbook that relates to the element of the marketing plan and (b) studying the red and blue boxes in the margin of the Appendix A: Sample Marketing Plan that gives hints on effective writing and identifies relevant textbook chapters, respectively.

3. **Draw a simple organization chart for your organization.**

   Suggestions: Using the sample organization chart in the chapter, have students develop an organization structure that could be used to implement the marketing plan.

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TEACHING NOTE FOR VIDEO CASE VC-2

IBM: Using Strategy to Build a "Smarter Planet"

This case describes how IBM's Smarter Planet initiative is (1) encapsulated to the company's mission and values, (2) translated into a business strategy, and (3) implemented in a coherent and comprehensive fashion for companies in a variety of industries. Interviews with senior IBM executives explain how this is done from both a conceptual and practical perspective.

Synopsis

Show Slide 2-53. IBM was founded in 1911, when several business machine companies merged to form the Computing-Tabulating-Recording Company (CTR). The company had 1,300 employees and sold scales, time recorders, meat and cheese slicers, and tabulators. In 1914, Thomas J. Watson, Sr. joined the company as general manager and implemented several important business practices including a focus on customer service, conservative dress for salespeople, development of large-scale custom-built solutions for businesses, and a positive, professional outlook communicated by his favorite slogan "THINK."

As CTR grew it offered new products such as an electric adding machine and a punch card press, and, as a result, it adopted the name International Business Machines from one of its Canadian subsidiaries. Blue covers on the computers, blue letters in the IBM logo, and dark blue suits worn by IBM salespeople, led to the now popular company nickname, "Big Blue." Today, *Fortune* magazine ranks IBM as the 20th largest company in the United States with sales of $104.5 billion and 430,000 employees in more than 170 countries. Forbes magazine ranks IBM as the fourth most valuable brand in the world.

In support of its mission IBM developed an overarching strategy called "Building a Smarter Planet." The Smarter Planet initiative is designed for clients who value IBM's industry and process expertise, systems integration capability, and research capacity. In addition, IBM created a Smarter Planet marketing plan to describe the company's view of the next era of information technology and its impact on business and society.

Teaching Suggestions

Students can use the case information, the IBM corporate home page (www.ibm.com), the IBM Smarter Planet website (www.ibm.com/smarterplanet), and their own perceptions of IBM and observations of the Smarter Planet campaign.

1. Ask your students about their perceptions of IBM, what business it is in, and what its mission might be.

2. Ask your students to describe their perceptions of changes in the environment that would be important to IBM. Are they aware of declining trade barriers, the growth of developing economies, and the impact of the World Wide Web?

3. Some students may remember seeing "Smarter Planet" ads on television or in magazines.

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Ask them to describe the ads and how they represent a strategy at IBM.

[*QL 2-5: IBM Video Case*]

Answers to Questions

1. **What is IBM's "Smarter Planet" business strategy? How does this strategy relate to IBM's mission and values?**

   Answers:

   The strategic marketing process consists of three phases—planning, implementation, and evaluation. The planning phase consists of three steps—situation analysis, goal setting, and the marketing program. IBM used the strategic marketing process by applying each of the three steps in the planning phase to develop its "Smarter Planet" strategy.

   a. **What is IBM's "Smarter Planet" business strategy?** A strategy is an organization's long-term course of action designed to deliver a unique customer experience while achieving its goals. IBM's "Smarter Planet" business strategy is based on the idea that that the next major revolution in the global marketplace will be the instrumentation and integration of the world's processes and infrastructures generating unprecedented amounts of data. This knowledge can help reduce costs, cut waste, improve efficiency, and increase productivity for companies, industries, and cities.

   b. **How does this strategy relate to IBM's mission and values?** This strategy complements IBM's expressed mission and values. IBM's mission statement (stated in the case) is to:

      - Strive to lead in the invention, development and manufacture of the industry's most advanced information technologies, including computer systems, software, storage systems, and microelectronics.
      - Translate these advanced technologies into value for our customers through our professional solutions, services, and consulting businesses worldwide.

      IBM's values (stated in the case) emphasize:

      - Dedication to every client's success.
      - Innovation that matters—for our company and for the world.
      - Trust and personal responsibility in all relationships.

      The "Smarter Planet" strategy clearly promotes leadership in the delivery of information technologies that provide valued customer solutions (mission) and a commitment to the customers' success through meaningful innovation, and professional behavior.

2. **Conduct a SWOT analysis for IBM's Smarter Planet initiative. What are the relevant trends to consider for the next three to five years?**

   Answers:

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As the first step in the planning phase of the strategic marketing process, a SWOT analysis is part of a situational analysis a firm conducts to: (1) identify industry trends; (2) analyze competitors; (3) assess itself; and (4) research consumers (see Chapter 2). SWOT is an acronym that describes an organization's appraisal of its internal **S**trengths and **W**eaknesses and its external **O**pportunities and **T**hreats.

a. **A SWOT analysis for IBM's Smarter Planet initiative**. Listed below is a brief, non-exhaustive SWOT analysis for IBM and it "Smarter Planet" initiative or strategy:

- **Strengths**.
  - Well-known global brand name.
  - New technologies and patents.
  - A planning process that included online discussions among 50,000 employees.
  - A clear concise mission statement.
- **Weaknesses**.
  - IBM's size may make change difficult.
  - Products such as PCs and hard disk drives are becoming commodities and are not customizable.
  - Once the values, mission, and strategy are determined employees must create the detailed plans for accomplishing them.
- **Opportunities**.
  - Growth markets such as China, India, Brazil and Africa.
  - Business analytics and optimization.
  - Cloud and smarter computing.
  - Connectivity.
- **Threats**.
  - Shift to custom-made technological solutions.
  - Demand for Smarter Planet solutions will depend on interest in change rather than just reaction to problems.
  - Demonstrating success will require accurate and timely measurement of relevant outcomes.

b. **The relevant trends IBM should consider for the next three to five years**.

- **Environmental Trends**.
  - Fewer trade barriers.
  - Growth of developing economies.
  - Increasing access to the World Wide Web.
- **Customer Trends**.
  - Desire for a "globally integrated enterprise."

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- Desire for "connectivity across technologies."
- Desire for "custom-made technological solutions."

3. How can IBM communicate its strategy to companies, cities, and governments? How is Watson a part of the communication strategy?

Answers:

a. **Communicating IBM's strategy to companies, cities, and governments**. IBM's marketing and communications professionals developed a marketing plan that included:

- A "Letter from the Chairman" Sam Palmisano, describing how the Smarter Planet initiative represented an infusion of intelligence into the way the world actually works.
- Print and television advertising focusing on IBM's ability to improve the world now.
- Website information that included videos, statistics, and industry reports.
- Publicity events, such as the appearance of the IBM computer named "Watson" on the TV game show Jeopardy!

b. **Using Watson a part of IBM's communication strategy**. While there may be short-term costs involved in shifting IBM from commodity-based businesses to customizable businesses, IBM believes that the transformation will provide growth for the company and its employees, success for its customers, and improved value for its stockholders.

4. What are the benefits of the Smarter Planet initiative to (*a*) society and (*b*) IBM?

Answers:

a. **Benefits to society**. IBM's Smarter Planet strategy benefits society by providing solutions for forward-thinking organizations that share a common outlook: they see change as an opportunity and they act on possibilities, not just react to problems. The solutions also help reduce costs, cut waste, improve efficiency, and increase productivity for companies, industries, and cities.

b. **Benefits to IBM**. While there may be short-term costs involved in shifting IBM from commodity-based businesses to customizable businesses, IBM believes that the transformation will provide growth for the company and its employees, success for its customers, and improved value for its stockholders.

5. How should IBM measure the results of the Smarter Planet strategy?

Answer:

Since introducing the Smarter Planet strategy, IBM has collaborated with more than 600 organizations around the globe. In each case, there are different measures of the results of "smart" solutions. These include reduced traffic congestion, reduced inventory levels, and improved customer service. The U.S. Department of Energy measured power usage and found that consumers with smart electric meters saved 10 percent on their power bills. Retailers who implemented smart systems cut supply chain costs by 30 percent, reduced

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inventory levels by 25 percent, and increased sales by 10 percent. The Memphis Police Department reduced crime by 28 percent.

Epilogue

In a recent quarterly report, IBM reported that its Smarter Planet initiative is growing at a rate of 20 percent. The company also announced the introduction of IBM MessageSight, a new technology designed to help organizations communicate with the billions of mobile devices now connected to the Internet. Marie Wieck, a general manager at IBM, observed that "When we launched our Smarter Planet strategy nearly five years ago, our strategic belief was that the world was going to be profoundly changed as it became more instrumented, interconnected, and intelligent. IBM MessageSight is a major technological step forward in continuing that strategy." IBM MessageSight is capable of supporting up to thirteen million messages from smart devices each second. In addition, IBM is developing a new platform called MobileFirst to enable corporations to design more engaging mobile offerings for their customers, which will create additional opportunities to collect and analyze consumer data.

IBM Watson was recognized by Frost and Sullivan with the 2013 North America Award for New Product Innovation. It also was cited by Gartner Inc., in its Top 10 Strategic Technology Trends for 2014. IBM recently announced it will make its IBM Watson technology "available as a development platform in the cloud, to enable a worldwide community of software application providers to build a new generation of apps infused with Watson's cognitive computing intelligence." More information about IBM Watson is available on IBM's A Smarter Planet blog (http://ibm.com), at www.ibmwatson.com, and at www.facebook.com/ibmwatson.

Sources: "IBM Watson's Next Venture: Fueling New Era of Cognitive Apps Built in the Cloud by Developers," *ENP Newswire*, November 15, 2013; "IBM Changing Business Model," *Telegram & Gazette*, November 17, 2013; and "IBM Unveils New Technology to Connect a Smarter Planet," *ENP Newswire*, April 30, 2013.

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ICA 2-1: IN-CLASS ACTIVITY

Calculating a "Fog Index" for Your Own Writing[1]

Learning Objectives. To have students (1) learn how to calculate a Fog Index and then (2) calculate the Fog Index for a sample of their own writing to help them improve their writing.

Nature of the Activity. To have students work outside class (1) to calculate a Fog Index for a sample of their own writing and (2) then share ideas with each other later in class on ways their writing samples could be made clearer by perhaps lowering their Fog Indexes.

Definitions. Because the class is not yet familiar with marketing terms, instructors may wish to define the following terms before starting the ICA:

- Fog Index: A linguistics test that measures the readability of an English writing sample.
- Polysyllables: Complex words that consist of three or more syllables.

Estimated Class Time and Teaching Suggestions.

- During the first class, spend about 10 minutes to explain to students the red call-out boxes in Appendix A and the Fog Index.
- Have students spend about 15 minutes to calculate a Fog Index outside class for a sample of their own writing.
- During the following class, spend about 10 minutes and have students share the "lessons learned" about the "fogginess" of their writing samples.

Materials Needed.

- Have students provide a sample of at least 150 words of each student's writing.
- Copies for each student, either in hard copy or electronically, of the:
  - "What is Your Own Fog Index?" handout.
  - "Calculating a Fog Index" handout.
- The Excel spreadsheet file ICA02-1FogIndex.xls.
- Optional: A calculator.

Steps to Teach this ICA.

1. Skim the following background information before conducting this ICA:

[1] Sources: (1) Robert Gunning, *The Technique of Clear Writing*, (New York: McGraw-Hill, 1968), pp. 59-62 and (2) Tamar Lewin, "A New Look for Graduate Entrance Test," *The New York Times*, December 6, 2009, p. 36.

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A number of indices have been introduced to try to measure the readability of a written English passage. The Fog Index is popular because (1) it is easy to calculate and (2) the resulting Fog Index number approximates the years of schooling the reader needs to understand the passage. Robert Gunning introduced the Fog Index in 1952 with his book *The Technique of Clear Writing*.

The Fog Index is criticized because it considers and weighs only two key factors: (1) sentence length and (2) polysyllabic or complex words. Also, it is inappropriate for scientific passages in mathematics, physiology, physics, and so on. Still, it has the merit to make writers rethink the best way to communicate their messages.

2. Pass out copies of the "What is Your Own Fog Index?" Handout and "Calculating a Fog Index" Handout to each student.

3. Give the following mini-lecture about the Fog Index and how to calculate it:

   "Good writing is hard work. Throughout our lives, we are called on to write memos, letters, and reports that need to be easily understood for effective communication. Today's activity gives you a simple way to assess and perhaps improve your own writing by determining the reading level of a sample of your writing.

   Appendix A provides both content and writing suggestions for developing a marketing plan. The red boxes next to the sample marketing plan suggest style, format, and layout guidelines to help you when writing this or any other document.

   In the 1950's, Robert Gunning wrote a book describes the Fog Index, which is a measure of the complexity of written work. A special appeal of the Fog Index is its simplicity: It equates the resulting number with the years of schooling the reader needs to have in order to understand a passage of a sample of writing."

4. **Show Slide 2-61**: Calculating a Fog Index Handout. Show students how to calculate the Fog Index for *The New York Times* article. Click on the Excel icon to calculate the Fog Index for a current or an alternative writing sample in class.

5. In the following class, ask students:

   a. To identify what are both the strengths and weaknesses of the Fog Index:

      - **Strengths**. Easy to calculate; fun to be able to equate the result to years of schooling needed to understand the passage.

      - **Weaknesses**. The Fog Index is a simplification. It clearly cannot be used with technical writing in sciences like in physics or medicine.

   b. For a show of hands on whether the Fog Index for their own writing sample was below 10; 10 or 11; 12 or 13; 14 or over.

   c. What personal writing lessons they may have learned.

Marketing Lesson. To succeed in today's competitive marketplace, students need to make sure that their intended audiences understand their written communication.

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WHAT IS YOUR OWN FOG INDEX? HANDOUT[2]

Briefly, review this handout on how to calculate a Fog Index using the writing sample below from *The New York Times*.

How to Calculate a Fog Index. Let's calculate a Fog Index for the writing sample below, which was taken from a recent article in *The New York Times* newspaper. The topic concerns the changes that are about to occur in the Graduate Record Exam (GRE), the test needed for admission to many graduate schools.

"Although the GRE still includes sections on verbal reasoning, *quantitative* reasoning, and *analytical* writing, each section is being revised. The new verbal section, for example, will *eliminate* questions on *antonyms* and *analogies*. On the *quantitative* section, the biggest change will be the *addition* of an online *calculator*. The writing section will still have two parts, one asking for a *logical analysis* and the other seeking an *expression* of the student's own views. The biggest *difference* is that the prompts the students will receive will be more focused, meaning that our human raters will know *unambiguously* that the answer was written in response to the question, not *memorized*," said David G. Payne, who heads the GRE program for the testing service."

We can calculate a Fog Index for *The New York Times* passage using these steps:

1. Select a passage that is about 100 words.
2. Count the *number of words* in the passage (W):.....120
3. Count the *number of sentences* (S): 5
4. Count the *number of complex words* or polysyllables (3+ syllables) in the passage but exclude proper nouns (e.g. Chicago) or suffixes (-es, -ed, -ing) as a syllable (CW): 14
5. Divide the number of words in the passage by the number of sentences: ..... (W ÷S) or (129 ÷5) = 24.0
6. Divide the number of complex words in the passage by the number of words, then multiply the result by 100: (CW ÷ W) × 100 or (14 ÷ 120) × 100 = ...11.7
7. Fog Index = [0.4 × ((W ÷ S) + ((CW ÷ W) × 100))]
   = [0.4 × ((120 ÷ 5) + ((14 ÷ 120) × 100))]
   = [0.4 × (24.0 + 11.7)]
   = 0.4 × 35.7
   = 14.3 or 2nd year of college level readability!

The Fog Index represents the number of years of schooling the reader needs in order to understand the writing passage being evaluated. In this example, the reader theoretically needs two years after high school to understand the passage—about 14 years of formal education.

Calculating a Fog Index for Your Writing. For the sample of writing you brought to class, calculate your own Fog Index.

[2] Tamar Lewin, "A New Look for Graduate Entrance Test," *The New York Times*, December 6, 2009, p. 36.

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CALCULATING A FOG INDEX HANDOUT[3]

1. Select a passage that is about 100 words.

2. Count the number of words in the passage (W): 120

3. Count the number of sentences (S): 5

4. Count the number of complex words or polysyllables (3+ syllables) in the passage but exclude proper nouns (e.g. Chicago) or suffixes (-es, -ed, -ing) as a syllable (CW): 14

5. Divide the number of words in the passage by the number of sentences (W ÷ S): ..... 120 ÷ 5 = 24.0

6. Divide the number of complex words in the passage by the number of words, then multiply the result by 100: (CW ÷ W) × 100 or (14 ÷ 120) × 100 = ... 11.7

7. Fog Index = [0.4 × ((W ÷ S) + ((CW ÷ W) × 100))]
   = [0.4 × ((120 ÷ 5) + ((14 ÷ 120) × 100))]
   = [0.4 × (24.0 + 11.7)]
   = 0.4 × 35.7
   = 14.3 or 2nd year of college level readability

[3] The numbers are for the passage from The New York Times quoted in the student handout.

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ICA 2-2: IN-CLASS ACTIVITY

Marketing Yourself

Learning Objective. To show students that marketing relates directly to their future by using the strategic marketing process and marketing mix when preparing for life after graduation.

Nature of the Activity. To have students do a SWOT analysis and goal setting for themselves to develop a plan that enhances their marketable skills before starting job interviews.

Estimated Class Time and Teaching Suggestions.

- During the first class, spend about 10 minutes to explain the purpose of this ICA.
- During the following class, lead a short discussion of actions they plan to take as a result of the ICA—perhaps asking them to turn it in for suggestions.

Materials Needed. Copies for each student, either in hard copy or electronically, of the:

- "Marketing Yourself" handout.
- "The Do-It-Myself Marketing Plan" worksheet.

Steps to Teach this ICA.

1. Pass out copies of the "Marketing Yourself" handout and "The Do-It-Myself Marketing Plan" worksheet to each student.

2. Ask students about the type of jobs they hope to land after graduation and how they intend to find these jobs. Most students will describe a "shotgun approach" of aiming at any job without any focused or targeted effort at specific careers (product management, marketing research, advertising, sales, etc.) or positions (assistant product manager, marketing research analyst, etc.).

   Suggest students look at Appendix C for career ideas. Explain how research can help students target specific jobs and learn about potential opportunities through networking, internships, informational interviewing, and many secondary sources.

3. After passing out the handouts, explain the importance in marketing themselves by:

   a. Doing a **situation analysis**, which involves taking stock of what they have done regarding their career search, where they are now, and where they are headed in terms of their existing plans and the external factors and trends affecting their employment prospects.

   b. Conducting a **SWOT analysis** to assess their personal strengths and weaknesses as well as their opportunities for and threats (barriers) to employment.

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- To conduct an **internal** analysis, ask students to identify some of their strengths and weaknesses are in terms of the courses taken and grades received, work experience, extra-curricular activities involvement, honors received, etc.
- To conduct an **external** analysis, ask students the following questions:
  - Which industries or types of jobs are growing or in demand that may be opportunities?
  - What advantages or "points of difference" do they have relative to other "competitors" (other students) seeking the same job opportunities?

4. Have each student specify elements of their marketing mix.

   a. What type of "product" do you have to offer? What skill sets do you possess?

   b. What sort of "pricing" is appropriate? What salary and benefits do you want?

   c. What "promotion" will be used? How will you inform prospective employers about yourself?

   d. What type of "place" or channel will be used? These include intermediaries such as on-campus career services, networking, employment agencies, and even the Internet, with firms such as Monster or Career Builder providing valuable services.

5. Call on several students and ask them to share portions of their personal marketing plan with the class. If students have few ideas about their marketing mix, ask about how information could be developed to help formulate an appropriate marketing mix.

Marketing Lesson. The strategic marketing process can be applied to products, services, ideas, and even to marketing yourself!

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MARKETING YOURSELF HANDOUT (1)

Planning Phase

Situation Analysis

- **Internal Assessment**. What are your strengths and weaknesses? What can you do to enhance your strengths and minimize your weaknesses? What points of difference or competitive advantage do YOU have? If you don't have one, can you develop one?
- **External Analysis**. What are the trends in the environmental forces that could impact your job search and career development? These consist of sociocultural, economic, technological, competitive, and regulatory forces.
- **Competitive Analysis**. What type of background, experiences, strengths, and weaknesses do your competitors have?
- **Market Analysis**. What market segments (job opportunities) have you identified as having the best potential? How do you fit into these markets? [NOTE: This means doing some research and perhaps reading Appendix C in the textbook!]

Focus and Goal Setting

- What are your objectives? Make them specific and measurable!
- What is your target market? Examples might be large public accounting firms, business-to-business sales, and marketing research for a consulting firm in Chicago, etc.

Marketing Program

- **Product**. YOU. Know yourself well. Continually improve yourself. Understand how you can meet the needs of your target market—prospective employers!
- **Pricing**. What salary and compensation package do you want? What are you willing to settle for? What's the average salary received by competitors in your target market?
- **Promotion**. Very important. Think about the buying process. How will you create awareness for yourself? What can you do to "break through the clutter" and get the opportunity for an interview? Your personal selling skills will be important for telephone contacts and face-to-face interviews. Probe to find out about the needs of the organization before that "sales call" and during the interview. Have your questions prepared.
- **Place (Distribution)**. What channels have you developed to access your target market, such as associations, personal contacts, professors, etc? Do some careful research on these. Don't assume that intensive distribution is necessarily the way to go. Focus your efforts to those target markets that hold promise.

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MARKETING YOURSELF HANDOUT (2)

Implementation Phase

Develop a timetable and budget for research, wardrobe, résumés, and travel. Carry out your program. Contact your target market opportunities. Follow-up consistently. Remember that looking for a job requires a significant commitment of your time and effort.

Evaluation Phase

Follow-up on all leads. Find out why you did or didn't make the cut. Ask at an interview what it was about your résumé that interested them. Even if you don't get the job, you have more insight. Similarly, when you call to follow-up on those cover letters and résumés that you sent out, ask when decisions will be made, when it would be appropriate to call back (and then do it). If you are rejected, call back and ask why. If you exhaust all of the possibilities in a given target market, go back to your situation analysis and identify new segments. Always send a "Thank You" note.

Resources

- Your college placement office.
- Informational interviewing (a great opportunity to learn more about careers you are considering while you are still in school and can make some adjustments to your program).
- Internships. Good experience to build your résumé and potential contacts for positions. Even if you don't want to work there, they can possibly open doors for you elsewhere.
- Richard N. Bolles, *What Color is Your Parachute?: A Practical Manual for Job-Hunters and Career-Changers*, (Berkeley, CA: Ten Speed Press). A companion workbook is also available. See www.jobhuntersbible.com (Bolles' website).
- Martin Yate, *Knock'em Dead; Knock'Em Dead Cover Letters; and Knock'Em Dead Resumes*, (Holbrook, MA: Adams Media Corporation). See www.adamsmediastore.com.

Websites. The following contain resources on job searches, résumé writing, interviewing, job postings, etc.

www.careerbuilder.com www.monster.com

www.jobhuntersbible.com

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THE DO-IT-MYSELF MARKETING PLAN WORKSHEET (1)

<table>
<tr><th colspan="2">STRATEGIC MARKETING PROCESS</th><th colspan="3">MY OWN MARKETING PLAN</th></tr>
<tr><td rowspan="11">PLANNING PHASE</td><td rowspan="2">Situation Analysis (SWOT)</td><td>Location of Factor</td><td colspan="2">Kind of Factor</td></tr>
<tr><td></td><td>Favorable</td><td>Unfavorable</td></tr>
<tr><td></td><td>Internal: Me
• Core Values
• Formal Education
• Job Experience
• Motivation
• Other:_____</td><td>My Strengths:</td><td>My Weaknesses:</td></tr>
<tr><td></td><td>External:
• Economic
• Technical
• Legal
• Other:_____</td><td>Opportunities For Me:</td><td>Threats Affecting Me:</td></tr>
<tr><td rowspan="9">Focus and Goal Setting</td><td>My Goals Upon Graduation</td><td colspan="2">Personal Goals:</td></tr>
<tr><td>My Desired Position</td><td colspan="2">Job Description:</td></tr>
<tr><td rowspan="3">My Target Industries, Organizations, and Locations</td><td colspan="2">Industries:</td></tr>
<tr><td colspan="2">Organizations:</td></tr>
<tr><td colspan="2">Geographical Areas:</td></tr>
<tr><td rowspan="3">My Uniqueness (Points of Difference)</td><td colspan="2">Personality:</td></tr>
<tr><td colspan="2">Education & Experience:</td></tr>
<tr><td colspan="2">Other:</td></tr>
<tr><td>My “Positioning”</td><td colspan="2">How You Compare to Other Job Applicants:</td></tr>
</table>

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MARKETING PROGRAM		MY OWN MARKETING PLAN	
PLANNING PHASE	• **Product Strategy** (Actions to Improve My "Marketability")	Formal Education/Courses:	
		Job Experiences/Projects Completed:	
		Extra-Curricular/Volunteer Activities:	
		Obstacles To Overcome:	
	• **Price Strategy**	Compensation Sought:	
	• **Promotion Strategy**	Résumé, Personal Interviews, and Letters/Telephone Calls:	
	• **Place Strategy**	Networking for Contacts and References:	
IMPLEMENTATION PHASE	• **Budget/Schedule**	Budget	Deadlines
	• **Marketing Actions** (Courses to take, summer jobs to get, résumés to write, clothes to buy, travel arrangements to make, etc.)	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
EVALUATION PHASE	• **Evaluation**	What Did and Didn't Work:	
	• **Corrective Actions**	How to Modify Strategy:	

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CHAPTER 2: TEST ITEM TABLE

DEVELOPING SUCCESSFUL ORGANIZATIONAL AND MARKETING STRATEGIES

Test Item Table by Major Section of the Chapter and Bloom's Level of Learning

Major Section of the Chapter	Bloom's Level of Learning (LL)		
	Level 1 Remember (Knows Basic Terms & Facts)	**Level 2 Understand (Understands Concepts & Principles)**	**Level 3 Apply (Applies Principles)**
Chapter Opener: Ben & Jerry's (pp. 22-23)		1, 2, 3, 4	
Today's Organizations (pp. 23-26)	5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 22, 23, 26, 27, 28, 30, 31, 39, 40, 47, 48, 49, 50, 52, 53, 57, 60, 61	17, 18, 24, 25, 29, 32, 33, 34, 35, 36, 37, 38, 41, 42, 43, 45, 46, 51, 54, 55, 58, 59, 62 **342, 343, 345**	19, 20, 21, 44, 56, 63, 64 **344**
Strategy in Visionary Organizations (pp. 26-31)	78, 79, 85, 86, 88, 89, 90, 99, 100, 105, 106, 107, 110, 111, 113, 114, 117, 123, 124, 125, 143, 144, 146, 147, 150, 151, 153	65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 80, 81, 82, 87, 91, 92, 93, 94, 98, 101, 104, 108, 109, 115, 116, 118, 119, 120, 127, 131, 135, 138, 141, 142, 145, 148, 149, 152, 154, 155, 156, 157, 158, 159, 160, 161 **346, 347, 349, 350, 351, 353, 354**	83, 84, 95, 96, 97, 102, 103, 112, 121, 122, 126, 128, 129, 130, 132, 133, 134, 136, 137, 139, 140 **355, 348, 352**
Setting Strategic Directions (pp. 31-35)	162, 167, 168, 177, 178, 179, 183, 184, 185, 186, 188, 189, 190, 193, 194, 197, 198, 200, 201, 217, 218, 220, 221, 226, 227, 230, 231, 234, 235 **356**	163, 173, 174, 176, 180, 181, 182, 187, 191, 195, 199, 202, 203, 205, 206, 207, 208, 209, 215, 216, 219, 222, 223, 224, 228, 236, 238, 239, 241, 244, 246, 249 **357, 358, 359, 360**	164, 165, 166, 169, 170, 171, 172, 175, 192, 196, 204, 210, 211, 212, 213, 214, 225, 229, 232, 233, 237, 240, 242, 243, 245, 247, 248
The Strategic Marketing Process (pp. 35-41)	250, 251, 254, 260, 261, 263, 264, 279, 280, 284, 285, 286, 289, 290, 291, 292, 296, 297, 303, 314, 315, 316, 319, 320, 324, 325, 329, 330	252, 253, 255, 256, 257, 258, 259, 268, 269, 270, 275, 276, 277, 278, 281, 283, 287, 288, 293, 294, 295, 298, 299, 300, 301, 302, 304, 305, 306, 307, 308, 309, 312, 313, 317, 321, 326, 327, 328, 331, 332, 333, 334, 336 **361, 362, 363, 364, 366, 368, 369, 370, 371, 372, 373**	262, 265, 266, 267, 271, 272, 273, 274, 282, 310, 311, 318, 322, 323, 335, 337 **365, 367**
Video Case: IBM (pp. 44-46)	338	339, 340, 341	

NOTE: **Bold** numbers indicate short essay questions. Underlined numbers indicate visually enhanced questions.

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CHAPTER 2: TEST ITEM TABLE

DEVELOPING SUCCESSFUL ORGANIZATIONAL AND MARKETING STRATEGIES

Test Item Table by Learning Objective and Bloom's Level of Learning

Learning Objective (LO)	Bloom's Level of Learning (LL)		
	Level 1 Remember (Knows Basic Terms & Facts)	**Level 2 Understand (Understands Concepts & Principles)**	**Level 3 Apply (Applies Principles)**
LO 2-1 Describe three kinds of organizations and the three levels of strategy in them. (pp. 23-26)	5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 22, 23, 26, 27, 28, 30, 31, 39, 40, 47, 48, 49, 50, 52, 53, 57, 60, 61, 338	17, 18, 24, 25, 29, 32, 33, 34, 35, 36, 37, 38, 41, 42, 43, 45, 46, 51, 54, 55, 58, 59, 62 **342, 343, 345**	19, 20, 21, 44, 56, 63, 64 **344**
LO 2-2 Describe core values, mission, organizational culture, business, and goals. (pp. 26-29)	78, 79, 85, 86, 88, 89, 90, 99, 100, 105, 106, 107, 110, 111, 113, 114, 117, 123, 124, 125, 143, 144	1, 2, 3, 4, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 80, 81, 82, 87, 91, 92, 93, 94, 98, 101, 104, 108, 109, 115, 116, 118, 119, 120, 127, 131, 135, 138, 141, 142, 145 **346, 347, 349, 350, 351, 353, 354**	83, 84, 95, 96, 97, 102, 103, 112, 121, 122, 126, 128, 129, 130, 132, 133, 134, 136, 137, 139, 140 **355, 348, 352**
LO 2-3 Explain why managers use marketing dashboards and marketing metrics. (pp. 29-31)	146, 147, 150, 151, 153	148, 149, 152, 154, 155, 156, 157, 158, 159, 160, 161	
LO 2-4 Discuss how an organization assesses where it is now and where it seeks to be. (pp. 31-35)	162, 167, 168, 177, 178, 179, 183, 184, 185, 186,188, 189, 190, 193, 194, 197, 198, 200, 201, 217, 218, 220, 221, 226, 227, 230, 231, 234, 235 **356**	163, 173, 174, 176, 180, 181, 182, 187, 191, 195, 199, 202, 203, 205, 206, 207, 208, 209, 215, 216, 219, 222, 223, 224, 228, 236, 238, 239, 241, 244, 246, 249, 339 **357, 358, 359, 360**	164, 165, 166, 169, 170, 171, 172, 175, 192, 196, 204, 210, 211, 212, 213, 214, 225, 229, 232, 233, 237, 240, 242, 243, 245, 247, 248
LO 2-5 Explain the three steps of the planning phase of the strategic marketing process. (pp. 35-38)	250, 251, 254, 260, 261, 263, 264, 279, 280, 284, 285, 286, 289, 290, 291, 292	252, 253, 255, 256, 257, 258, 259, 268, 269, 270, 275, 276, 277, 278, 281, 283, 287, 288, 293, 294, 295, 341 **361, 362, 363, 364, 366**	262, 265, 266, 267, 271, 272, 273, 274, 282 **365, 367**
LO 2-6 Describe the four components of the implementation phase of the strategic marketing process. (pp. 39-40)	296 297, 303, 314, 315, 316, 319, 320	298, 299, 300, 301, 302, 304, 305, 306, 307, 308, 309, 312, 313, 317, 321, 340 **368, 369, 370**	310, 311, 318, 322, 323

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LO 2-7 Discuss how managers identify and act on deviations from plans. (p. 41)	324, 325, 329, 330	326, 327, 328, 331, 332, 333, 334, 336 **371, 372, 373**	335, 337

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