Framework for Marketing Management 6th edition Kotler Solutions Manual

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CHAPTER 2 *DEVELOPING AND IMPLEMENTING MARKETING STRATEGIES AND PLANS*

LEARNING OBJECTIVES

In this chapter, we will address the following questions:

1. How does marketing affect customer value?
2. How is strategic planning carried out at different organizational levels?
3. What does a marketing plan include?
4. How can companies monitor and improve marketing activities and performance?

CHAPTER SUMMARY

The value chain is a tool for identifying key activities that create customer value and costs in a specific business. The value delivery process includes choosing (or identifying), providing (or delivering), and communicating superior value. Market-oriented strategic planning is the managerial process of developing and maintaining a viable fit between the organization's objectives, skills, and resources and its changing market opportunities.

Strategic planning occurs at multiple levels: corporate, division, business unit, and product. Corporate strategy includes defining the mission, establishing strategic business units (SBUs), assigning resources, and assessing growth opportunities. This is the framework within which divisions and SBUs prepare their strategic plans. The marketing plan summarizes what the firm knows about the marketplace and how well it will reach its marketing objectives, operating at both the strategic and tactical levels. Marketing implementation turns marketing plans into action assignments to achieve the plan's objectives. Firms use marketing metrics, marketing-mix modelling, and marketing dashboards to monitor and assess marketing productivity. By applying marketing control, management can assess the effects of marketing activities and make improvements.

OPENING THOUGHT

This introduces several perspectives on planning and describes how to draw up a formal marketing plan. The formal marketing plan sample is an excellent resource because it provides an overview of the types of decisions a marketer might make in an effort to create customer value. Provide sufficient class time covering the distinctions between strategy and tactics.

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ASSIGNMENTS

Students should be encouraged to review selected companies' annual reports to collect from these reports the corporations' mission statements, strategy statements, and target market definitions. The collected material can be discussed in class comparing the company's overall business, marketing, and customer strategies.

Each student is in effect a "product." Like all products you (they) must be marketed for success. Have each of your students' write their own "mission statement" about their career and a "goal statement" of where they see themselves in 5 years, 10 years, and after 20 years.

Select a local firm or have the students select firms in which they are familiar (current employers or past employers, for example) and have them answer the questions posed by the Marketing Memo, Marketing Plan Criteria regarding the evaluation of a marketing plan. Make sure the students are specific in their answers.

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DETAILED CHAPTER OUTLINE

Opening Vignette: Hewlett-Packard has been challenged in recent years, and is an example of how firms must constantly improve their strategies to adjust to changes in the marketplace.

I. Marketing and Customer Value
  A. The Value Delivery Process
    i. The traditional view of marketing where a firm makes something and sells it only applies in economies with goods shortages
    ii. Marketing is placed at the beginning of business planning in economies with different consumer needs and wants
    iii. Three phases to the value creation and delivery sequence:
      1. Choosing the value: homework; market segmentation, target market selection, value positioning
      2. Providing the value: identification of features, prices, distribution
      3. Communicating the value: use the Internet, advertising, sales force and other communication tools
  B. The Value Chain
    i. Every firm is a synthesis of activities performed to design, produce, market, deliver and support its product.
    ii. Primary activities
      1. Inbound logistics: bringing materials into the business
      2. Operations: converting materials into final products
      3. Outbound logistics: shipping out final products
      4. Marketing (includes sales)
      5. Service
    iii. Support activities
      1. Procurement
      2. Technology development
      3. Human resource management
      4. Firm infrastructure
    iv. Firms examine costs and performance in each value-creating activity and benchmark against competitors to look for ways to improve
    v. Core business processes (increasingly reengineered and assigned cross-functional teams):
      1. The market-sensing process: gathering and acting upon information about the product
      2. The new-offering realization process: researching, developing, and launching new high-quality offerings quickly and within budget
      3. The customer acquisition process: defining target markets and prospecting for new customers
      4. The customer relationship management process: building

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deeper understanding, relationships, and offerings to individual customers

vi. Companies often partner with specific suppliers and distributors to create a superior value delivery network, or supply chain

C. Core Competencies

i. Three characteristics

1. Sources of competitive advantage that make a significant contribution to perceived customer benefits
2. Have applications to a wide variety of markets
3. Are difficult for competitors imitate

ii. Accompanied by distinctive capabilities, or excellence in broader business processes: market sensing, customer linking, channel bonding

D. The Central Role of Strategic Planning

i. Marketers must prioritize strategic planning in three key areas

1. Managing the businesses as an investment portfolio
2. Assessing the market's growth rate and the company's position in that market
3. Establishing a strategy

ii. A marketing plan operates on a strategic level and a tactical level

1. The strategic marketing plan lays out the target markets and the firm's value proposition, based on an analysis of the best market opportunities.
2. The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service.

II. Corporate and Division Strategic Planning

A. Corporate headquarters undertake four planning activities

i. Define the corporate mission
ii. Establish strategic business units
iii. Assign resources to each strategic business unit
iv. Assess growth opportunities

B. Defining the Corporate Mission

i. Over time, the mission may change to respond to new opportunities or market conditions
ii. Classic questions: What is our business? Who is the customer? What is of value to the customer? What will our business be? What should our business be?
iii. Clear, thoughtful mission statements are developed collaboratively with and shared with managers, employees, and often customers

1. Provides a shared sense of purpose, direction, and opportunity
2. Good mission statements focus on a limited number of goals. stress the company's major policies and values, define the major competitive spheres within which the company will operate, take a long-term view, and are short, memorable and meaningful

C. Establishing Strategic Business Units

i. Established using three characteristics

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1. Single business or collection of related businesses that can be planned separately from the rest of the company
2. Own set of competitors
3. Manager responsible for strategic planning and profit performance and controls most factors affecting profit

D. Assigning Resources to Each SBU
   i. Resources assigned using shareholder value analysis; value assessed on potential of business based on growth opportunities from global expansion, positioning or retargeting and strategic outsourcing

E. Assessing Growth Opportunities
   i. Intensive growth: within current businesses; product-market expansion grid is helpful
      1. Market-penetration strategy: more market share with current products in current markets
      2. Market-development strategy: develop new markets for current products
      3. Product-development strategy: develop new products for current markets
      4. Diversification strategy: develop new products for new markets
   ii. Integrative growth: acquire related businesses
      1. Use backward, forward or horizontal integrations within the industry
      2. May not reach desired sales volume; challenges with integration
   iii. Diversification growth: identify opportunities for growth from adding attractive, unrelated businesses
   iv. Downsize or divest older businesses: Prune, harvest or divest to release resources or reduce costs

F. Organization and Organizational Culture
   i. A company's organization is its structures, policies, and corporate culture, all of which can become dysfunctional in a rapidly changing business environment.
   ii. Corporate culture is "the shared experiences, stories, beliefs, and norms that characterize an organization."
   iii. Scenario analysis develops plausible representations of a firm's possible future using assumptions about forces driving the market and uncertainties

III. Business Unit Strategic Planning

A. The Business Mission
   i. Develop a specific mission for the strategic business unit

B. SWOT Analysis
   i. External Environment (Opportunity and Threat) Analysis: monitor key macroenvironmental forces
      1. Opportunity: area of buyer need and interest that a company has a high probability of satisfying
         a. Offer something in short supply
         b. Supply existing product or service in a superior way
            i. Problem detection: ask consumers for

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suggestions
ii. Ideal method: ask consumers to imagine an ideal version of the product or service
iii. Consumption chain method: chart steps in acquiring, using, disposing of product
c. Above methods lead to new product or service
2. Benefit from converging industry trends/introduce hybrid products or services to the market
3. Make buying process more convenient or efficient
4. Meet the need for more information and advice
5. Customize a product or service
6. Introduce a new capability
7. Deliver a product or service faster
8. Offer product at a much lower price

ii. Market opportunity analysis (MOA) questions
1. Can we articulate the benefits convincingly to the defined target market(s)?
2. Can we locate the target market(s) and reach them with cost-effective media and trade channels?
3. Does our company possess or have access to the critical capabilities and resources we need to deliver the customer benefits?
4. Can we deliver the benefits better than any actual or potential competitors?
5. Will the financial rate of return meet or exceed our required threshold for investment?

iii. Environmental threat is a challenge posed by an unfavorable trend or development that, in the absence of defensive marketing action, would lead to lower sales.

iv. Internal Environment (Strengths and Weaknesses) Analysis

C. Goal Formulation
i. Goals are objectives that are specific with respect to magnitude and time
ii. Management by objectives meets four criteria
1. They must be arranged hierarchically, from most to least important
2. Objectives should be quantitative whenever possible
3. Goals should be realistic
4. Objectives must be consistent

iii. Trade-offs include short-term profit versus long-term growth, deep penetration of existing markets versus development of new markets, profit goals versus nonprofit goals, and high growth versus low risk.

D. Strategy Formulation
i. Strategy is a game plan for getting what you want to achieve
ii. Porter's generic strategies
1. Overall cost leadership
2. Differentiation
3. Focus

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iii. Competing firms directing the same strategy to the same target market constitute a strategic group
iv. There is a distinction between operational effectiveness and strategy: operationally effectiveness can be copied; strategy develops a unique and valuable position
v. Strategic alliances complement a firm's capabilities and resources
    1. Product or service alliances
    2. Promotional alliances
    3. Logistics alliances
    4. Pricing alliances
vi. Firms use partner relationship management to form and manage partnerships

E. Strategy and Implementation
i. Strategy addresses the what and why of marketing programs and activities
ii. Implementation addresses the who, where, when and how of marketing programs and activities
iii. Strategy is one of seven elements of business success:
    1. Hardware: strategy, structure, and systems
    2. Software: style, skills, staff and shared values

IV. The Marketing Plan

A. A marketing plan is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to meet its marketing objectives

B. The most frequently cited shortcomings of current marketing plans, according to marketing executives, are lack of realism, insufficient competitive analysis, and a short-run focus

C. Contents of a Marketing Plan
i. Executive summary and table of contents
ii. Situation analysis (relevant background data on sales, costs, the market, competitors and the macroenvironment)
iii. Marketing strategy (mission, marketing and financial objectives, needs the marketing offering is intended to satisfy and its competitive positioning)
iv. Marketing tactics (marketing activities that will be undertaken to execute the marketing strategy)
v. Financial projections include a sales forecast, an expense forecast, and a break-even analysis.
vi. Implementation controls: outlines the controls for monitoring and adjusting implementation; spells out the goals and budget for each month or quarter so management can review results and take corrective action as needed.

D. From Marketing Plan to Marketing Action

V. Marketing Implementation, Control, and Performance

A. Marketing implementation is the process that turns marketing plans into action assignments and ensures they accomplish the plan's stated objectives
i. Schedules show when tasks were supposed to be completed vs. when they actually were

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ii. Metrics track actual outcomes of marketing programs to see whether the company is moving towards its objectives
iii. Two complementary approaches to measure marketing productivity are:
    1. Marketing metrics – assess marketing effects
    2. Marketing-mix modeling – estimate causal relationships and measure how marketing activity affects outcomes
iv. Marketing dashboards are structured to disseminate insights from these two approaches

B. Marketing Metrics
i. Set of measures that help marketers quantify, compare and interpret their performance
ii. Short-term results often reflect profit-and-loss concerns as shown by sales turnover, shareholder value, or a combination
iii. Brand-equity measures include customer awareness, attitudes, behaviors, market share, relative price premium, number of complaints, distribution and availability, total number of customers, perceived quality, and loyalty and retention

C. Marketing-Mix Modeling
i. Marking-mix models analyze data from a variety of sources
ii. They help isolate effects, but are less effective at assessing how marketing elements work in combination
    1. Focused on incremental growth instead of baseline sales or long-term effects
    2. Limited integration of metrics related to customer satisfaction, awareness and brand equity
    3. Fails to incorporate metrics related to competitors, trade or sales force

D. Marketing Dashboards
i. A concise set of interconnected performance drivers to be viewed in common throughout the organization
ii. Customer-performance scorecard: how well the company is doing on customer-based measures
iii. Stakeholder-performance scorecard: the satisfaction of various constituencies who have a critical interest in and impact on the company's performance

E. Marketing Control
i. Annual-plan control ensures the company achieves sales, profits and other goals established in its annual plan
ii. Profitability control determines whether to expand, reduce, or eliminate any products or marketing activities
iii. Efficiency control helps the company look at better ways to manage marketing spending and investments
iv. Strategic control periodically reassesses the strategic approach to the marketplace using a marketing audit, which covers the macroenvironment, task environment, marketing strategy, marketing organization, marketing systems, marketing productivity, and marketing functions

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