Integrated Marketing Communications Strategic Planning Perspectives (Canadian) 5th edition Tuckwell Solutions Manual

SKU: 9780134270371-SOLUTIONS

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Chapter 2
Strategic Planning Principles

Learning Objectives

Students will be able to:

- Identify essential external trends and conditions that influence organizational planning
- Describe the steps in the strategic planning process
- Identify the distinctions and relationships between the various types of plans
- Characterize the essential elements of a corporate plan
- Outline the structure and content of a marketing plan
- Outline the structure and content of a marketing communications plan
- Show how integrated marketing planning provides solutions to marketing problems

Chapter Highlights

Strategic business planning is an integrated process that involves the various management levels, operating divisions, and functional departments of an organization.

A. Strategic Planning and Factors Influencing Planning

Strategic planning embraces three variables:

- *Objectives* – statements that outline what is to be accomplished
- *Strategies* – statements that outline how objectives will be accomplished
- *Tactics (Execution)* – the plan of action in specific detail

Strategic planning is a cyclical process (e.g., an annual occurrence with revisions while a plan is in progress). Strategic plans are influenced by various external factors: the economy, demographic trends, changing technologies, and various laws and regulations.

- ***Economic Influences*** – The state of the economy often dictates how aggressive or conservative a company is with its plans. The state of the economy is determined by such factors as growth rates in GDP, inflation rates, levels of employment, and the value of the dollar in relation to foreign currencies. The relationship among these variables is dynamic. An economy tends to go through cycles (the outcome of these variables): recession, depression, recovery, and prosperity. Companies need to adapt to each of these cycles. Some retailers, like Dollarama, Canada's largest operator of dollar stores expanded in 2014 and benefitted from consumers' concern for household debt and the weak economy.

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- ***Competitor Influences*** – The type of market a company operates in has an impact on the nature of planning. The various structures include monopolies, oligopolies, and monopolistically competitive markets. Competition is classified as being direct (competition from alternative products) or indirect (competition from substitute products). The lines between direct and indirect competition is less today than previously. For example, Loblaws and Wal-Mart once operated in separate markets. The addition of new product lines by each company now makes them direct competitors. As well, the trend towards online shopping has impacted retailers. In 2015, Future Shop closed its doors throughout Canada. Owned by Best Buy, the two-banner arrangement caught up with the company as it saw its retail costs increasing while customer visits to stores were dropping. The company has since decided to invest more money in e-commerce under one banner.

- ***Demographic Influences*** – Adjusting business strategies to fit with demographic trends is essential. The key trends include the following:

    1. The population is aging
    2. The trend towards urbanization continues
    3. Changing household formations
    4. Increasing ethnic diversity
    5. Reductions in the growth of disposable income

  Generally speaking, the population is aging. The country's largest demographic cohort (baby boomers, who are estimated to be 40% of the Canadian population by 2021), are reaching retirement age. As they age the average age of Canadians gets higher. Gen Y are tech-savvy and a main target for many companies. They are very different than baby boomers with respect to their needs and wants. There is an increasing trend toward urbanization, with 80% of Canadians living in urban areas. Household composition is also changing; the average household is smaller, and fewer couples are married. There is more acceptance of gay couples. Canada is also increasingly ethnically diverse, (20.6% immigration rising to 23% by 2017). There is also greater income inequality and reductions in the growth of disposable income. Lower- and middle-income Canadians (the masses) are more cautious about how and on what they spend their money. Walmart's ongoing communication slogan "Save Money. Live Better" effectively taps into consumers' need for good value pricing.

- ***Social Influences*** – It's the role of marketers to keep track of social and cultural changes. Canadians are reporting that they are finding their lives to be increasingly hectic. Many companies have responded by providing on-the-go services to this demographic. There is also an increasing focus by Canadians to make healthier lifestyle and food choices. Lastly, there is an increasing concern for the protection of the natural environment, and Canadians are considering the environmental impacts of their purchasing decisions. There is also a greater pressure on companies to be ethical and take stands on social issues.

- ***Technology Influences*** – Technology embraces discoveries, inventions and innovations. New technologies present new opportunities for companies. Canadian society has been quick to embrace technology meaning that future marketing plans and marketing communications plans will have a technological focus. For example, the means of communicating with prospective customers will rely more on electronic communications and less on traditional mass media communications. Smart phones such as the Samsung Galaxy or the iPhone, or tablets such as the "Samsung 11" or the Mini iPad are everywhere, and Canadian companies are re-examining their media buying mix, to ensure that they have an increasing profile in digital mediums. This has resulted in a reduction in expenditures on traditional media formats such as print, TV and radio. Canadians have also

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integrated social media. Consumer generated content on YouTube, Facebook or Twitter are a strong form of marketing communications for a brand.

- ***Legal and Regulatory Influences*** – Laws and regulations govern business practice. Industry Canada regulates Canadian businesses through the Competition Act. It cannot be assumed that all companies follow ethical practices. Numerous companies have made headline news for their corporate malaise in recent years. With regard to communications, a company must be careful about advertising claims made for its products. They cannot misrepresent the product nor mislead the public. There is also an increasing focus on privacy and the protection of personal information held by companies. Canadians are protected by privacy laws, including the Privacy Act, which places limits on the collection, use and disclosure of personal information.

Mountain Equipment Co-op (see IMC Highlight on page 42) has carefully assessed market trends in the sporting goods market and successfully implemented a new communications campaign to pursue an urban target market.

B. Strategic Planning Process

"Top down and bottom up" may describe how the planning process works. Typically, the corporate plan is formed by senior executives and passed down the functional departments. In multi-product companies marketing plans are formulated for each product. Within the marketing plan the role of marketing communications is determined and funds are allocated to carry out the plan. The integration of all components in a strategic plan for a product, and then the entire company helps the organization achieve its business objectives. As in war, a unified attack offers a better chance of success.

C. The Corporate Plan

Corporate planning is done by senior management and usually includes three key elements:

- ***Mission Statement*** – A statement of an organization's purpose. It reflects the operating philosophy of the organization and the direction the organization is to take.

- ***Corporate Objectives*** – Quantifiable goals that can be easily measured for success or failure (e.g., sales, profit, market share, and return on investment).

- ***Corporate Strategies*** – Statements outlining how objectives will be achieved. The organization assesses its strengths and weaknesses, research and development capabilities, and commitment to particular goals, and financial resources available.

The strategic direction a company takes varies but some common directions include:

- ***Divestment Strategies*** – A company decides to sell off various divisions, subsidiaries or products. (e.g., P & G sold Pringles to Kellogg's Co in a move to focus on personal care and household goods.)

- ***Penetration Strategies*** – A company decides to pursue the competition aggressively (e.g., the "Cola Wars" between Coca-Cola and PepsiCo).

- ***New Product Development*** – Real growth often comes from new products (e.g., Apple Computer's presence in the music industry with iPods and iTunes).

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- ***Strategic Alliances*** – Two or more companies form an alliance to collaborate their efforts in pursuing a particular market (e.g., in-store Starbucks –licensed stores.).

D. Marketing Planning

Marketing planning involves analyzing, planning, implementing, and controlling marketing initiatives to satisfy target market needs and achieve organizational objectives. A target market is the group of persons for whom a firm creates and markets a product that specifically meets the needs and preferences of that group. A company creates a target market profile, which identifies demographic (age, gender, income) psychographic (lifestyle, attitudes, interests, opinions), geographic (urban/rural, region) and behavioural (consumption patterns) traits of the people or businesses that make up that market segment. A **marketing plan** summarizes the relevant background information leading up to the plan, and the objectives, strategies, and tactics that are part of the plan. Marketing planning involves four essential steps:

1. Analyzing market opportunities
2. Planning
3. Implementing marketing programs
4. Managing/controlling marketing programs

Marketing plans are action-oriented and short term (1 year). It' a good strategy to have contingency plans (alternative action plans) to modify the original plan if necessary.

A **marketing plan** is divided into two major sections: *background* and *plan.*

The following are key areas of the **background section** of the plan:

- ***External Influences*** – A review of economic trends, social and demographic trends, technology trends and regulatory trends.

- ***Market Analysis*** – An evaluation of market size and growth, regional market importance, market segment analysis, and seasonal trends.

- ***Target Market Analysis*** – The identification of the primary and secondary customer groups along with their characteristics, lifestyles, and habits. Other concerns include their degree of brand loyalty and understanding of what factors influence their buying decisions.

- ***Brand Analysis*** – A review of sales trends, market share trends, distribution trends, marketing communications programs, and any new product activity that has been recently undertaken.

- ***Competitor Analysis*** – Knowledge of key competitor's sales volume, market share, and marketing strategies are analyzed for effectiveness.

SWOT Analysis – An attempt is made to interpret the data collected in the above sections, focusing on internal strength and weaknesses and external opportunities and threats. The **marketing plan** section includes the following information:

- ***Positioning Strategy Statement*** – A statement that reflects what the brand stands for. It is the desired image that the company wants to instill in the customer's mind which guides the direction of marketing communications. (e.g., VISA gives you the confidence you can do anything.)

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- ***Target Market Profile*** – A thorough description of the customer based on demographic, psychographic, behavioural, and geographic characteristics.

- ***Marketing Objectives*** – Statements identifying quantifiable goals for a one-year period (e.g., to increase specific brand market share from 5% to 5.2% by 2017.).

- ***Marketing Strategies*** – The role and contribution of each element of the marketing mix are identified and resources are allocated to each element. These strategies provide guidance for the development of marketing communications plans.

- ***Marketing Execution (Tactics)*** – The identification of specific marketing actions (the action plan). All details are mapped out according to type of activity, timing, and cost.

- ***Budget and Financial Summary*** – The financial implication of the plan must be communicated to senior management. Typically, a profit and loss statement for the product is included in the plan. The statement will compare previous year's financial performance to the current year to date, and the plan year.

- ***Evaluation and Control*** – Marketing plans are reviewed while in progress to determine if changes are necessary. Marketing control is a process of measuring and evaluating results of actions taken and planning corrective action when necessary. Companies often build in contingency plans that can be quickly implemented should certain situations develop in the marketplace.

E. Marketing Communications Planning

The marketing communications plan and any plans for individual components of marketing communications rely on guidance from the marketing plan. A **marketing communications plan** is a document that encompasses key components of various communications plans (e.g., advertising, public relations, sales promotion, events and sponsorships, personal selling, and so on). When devising the plan, it is crucial that the role and contribution of each component be identified. An integrated plan will present a unified message to the target market. It is essential to select the best mix of marketing communications components.

F. Marketing Communications Objectives

Objectives tend to be diverse in nature yet specific in scope. Typical **objectives** include:

- Building awareness
- Altering perceptions
- Differentiating brands
- Attracting new targets
- Encouraging more use
- Offering incentives
- Creating leads
- Motivating distributors

To achieve such objectives a variety of communications is necessary. Advertising is good for creating awareness and interest; sales promotions are good for stimulating action; public relations are good for building image and altering perceptions. The challenge is to select the right form of communications or combination of communications to meet the challenge at hand.

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In the IMC Highlight (page 59) **Buick: Going Younger**, General Motors has typically been identified as catering to a mature male market. The company assessed the brand's positioning in the market and analyzed the social and demographic trends and decided to attract a new target market. They have realized the path to success by repositioning the Buick brand to attract new, younger, female consumers with a new campaign.

G. Marketing Communications Strategies

This section of the plan provides an outline on how the various components will be used and how much financial resources will be allocated. The various components and plans include the following:

- ***Advertising Plan*** – This plan is divided into two essential areas: creative and media. The ***creative plan*** is concerned with the message and how it will be communicated. The ***media plan*** involves strategic decisions on what media to use and how much money to invest in the chosen media. The goal of the media plan is to spend the funds efficiently; that is, maximize reach and impact at minimum cost.

- ***Direct Response Plan*** – Direct response techniques are increasing in popularity since they can be measured for effectiveness. Advancing technology and database marketing techniques also encourage more use of direct response communications (e.g., direct mail, direct response television and online communications).

- ***Interactive Plan*** – Consumers are increasingly accepting the role of online advertising communications, Online communications combined with other interactive alternatives such as cell phones, CDs, DVDs, and video games also require careful planning if messages are to be delivered effectively. Overall the last couple of years' social media forms such as Facebook, Youtube and Twitter have become increasingly common vehicles for marketers to communicate with customers and key stakeholder groups.

- ***Sales Promotion Plan*** – These are plans that reach and influence distributors, consumers, and the sales force. Plans are designed to meet various sales and market share objectives. *Consumer promotions* are designed to encourage trial purchase, repeat purchases and to build brand loyalty. *Trade promotions* are offered to encourage larger orders from distributors and to secure merchandising support at point-of sale.

- ***Public Relations Plan*** – The goal of public relations is to enhance a company's public image. These communications can be for the entire company or for individual brands. Public relations also play a key role in communicating with the public should a company face a crisis situation. It is also a good medium for spreading good news about a company and its brands. Because it is an "unpaid" medium for the most part, it is an attractive and efficient way to get the message delivered.

- ***Experiential Marketing Plan*** – These activities play a greater role today, and the focus is increasingly on engaging consumers in a brand experience. The primary vehicle for this is developing unique branded events that appeal to a highly targeted audience who have an affinity for your brand or product. A variety of marketing communications elements are incorporated into successful event planning; this information must be documented in the communications plan.

- ***Personal Selling Plan*** – The sales representatives play a key role in communicating messages in the channel of distribution. There are direct links between the sales plan, the advertising plan, and sales

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promotion plan. The sales force has direct contact with distributors who make important buying decisions. Therefore, time is well spent developing push strategies that will compliment the pull strategies of other marketing communications media.

- Calendar of Events – detailed visual of planned activities and when they occur.

- Budget Summary – summary of costs associated with the planned activities.

Answers to End of Chapter Questions

Review Questions

1. The external trends and conditions that must be considered when developing a plan include: economic influences; competitor influences; social and demographic influences; technology influences; and legal and regulatory influences. A company must be aware of the environment in which it operates in order to develop appropriate marketing and communication strategies.

2. The key components of a corporate plan are the *mission statement*, a list of overall *objectives* that are to be achieved; and an outline of *strategies* that will be employed to assist in achieving the objectives. A corporate plan provides a framework for all divisional plans and functional plans in the company. When the planning process is complete all of the various plans will complement each other and strive to achieve the business objectives that are outlined in the corporate plan.

3. A *mission statement* is a statement of an organization's purpose and an indicator of the operating philosophy the organization follows. A company establishes its mission and then develops strategic plans to achieve the mission. All strategic plans and specific activities within the plans are evaluated against the mission of the company.

4. The four variables are *demographics, psychographics, geographic and behaviour*. Demographics refer to the characteristics of a population such as age, gender, income or occupation. Psychographics describe a customer group in terms of lifestyle, attitudes, interests, opinions and activities. Geographic information includes the analysis of national, regional populations and the differences between rural and urban populations. Behavioural characteristics involve the study of consumption patterns for products and services by people or businesses in the target market being researched by a company.

5. A *positioning strategy statement* identifies what a brand stands for. Hopefully, effective communications will instill the desired perception of the brand in the customer's mind. Such a statement provides guidance and direction for marketing strategies while serving as a standard for considering what strategies to use and not to use. For example, a client often asks: "Is this advertising on strategy?" What they mean is, does the message fit with the positioning strategy of the brand?

6. Marketing strategies are the master plans for achieving objectives. The strategy is what makes the plan "tick." The proper strategy with less than effective execution can yield reasonable results but the wrong strategy effectively executed can be a disaster. When developing a marketing strategy, the role and contribution of each component of the mix must be identified. When developing a marketing communications strategy, the role and contribution of each component must also be identified. Plans must be integrated in a manner such that a unified message is delivered to the intended target audience.

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7. *Marketing strategy* outlines how the various components of the marketing mix will be utilized and identifies the extent of resources that will be allocated to each component. *Marketing execution* refers to the specific program details that stem directly from the strategy section of the plan. It identifies the activity, the timing, and cost.

8. *Marketing control* is the process of measuring and evaluating the results of marketing strategies and taking corrective action to ensure that objectives are achieved. Plans are evaluated while in progress in order to identify appropriate changes in direction, if and when necessary.

9. In a *creative plan* the essential decisions involve what to say and how to say it. On the issue of what to say, the manager decides upon what product claims will take precedence. How to say it is more complex. What appeal techniques will be employed? What will the theme of the message be? In a media plan, what is the best mix of marketing communications? There are a variety of options to choose from and decisions are often based on the advertiser's knowledge of the target audience's behaviour and on the budget.

10. The various components of a marketing communications plan are directly linked to each other. A manager selects the appropriate forms of communication to resolve the situation at hand. From that point on he or she must ensure that the strategic direction of each option are synchronized with the other options so that a unified message is delivered. A unified approach has more impact on the target market. That is the premise upon which integrated marketing communication strategies are designed.

Discussion Questions

1. Communications objectives are diverse but a good campaign must have specific focus. This statement is true but students may have varying opinions. Opinions vary because students do not yet appreciate the role of marketing strategy and marketing communications strategy. The implementation of plans that go off indifferent directions tends to confuse the target audience. Further, plans that attempt to deal with too many issues (or objectives) at one time become very complex. Complex messages do not break through the clutter and again create confusion in the customer's mind.

2. Students' opinions on this question will vary. For example, if Roots stays focused on the youth market segment it will constantly be in the business of attracting new customers. To grow, it must expand out of its niche and make the banner appealing to older age groups as well. New marketing and marketing communications strategies are needed. Encourage the students to offer specific recommendations for the future.

    a. Tim Hortons is one of Canada's most successful companies. Strong marketing programs have always played a key role in the growth and development of the company. However, Tim Hortons operates in market where there is much competitor overlap (e.g., burger restaurants competing with chicken restaurants, competing with pizza restaurants, and so on). Menu duplication is prevalent. To stay in front Tim's must continue to bring innovative products to market, find ways of serving people more quickly and maintain prices at reasonable levels so as to keep the value equation in check. Effective marketing communications have always been strength of the company. One positioning strategy statement is "Always fresh" communicating that their products are never standing, but always moving (being sold). Tim Hortons is an expert at building image with emotional advertising campaigns and a master at building loyalty through sales promotion

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programs. Given the level of competition, fresh approaches to marketing communications may be needed.

3. The intent of this question is to get students sourcing appropriate secondary market information that is typically included in the background section of a marketing plan. Once the information is collected the student should make some observations and conclusions that would have impact on the direction to take in a marketing plan, including marketing communications.

4. Responses will vary based on the product leader and challenger chosen by the student. The intent is to evaluate the marketing communications mix employed by each brand. Are there any differences that may have an impact on brand performance?

5. Working in reverse, the idea here is to generate the prototypical target market profile based on the imagery and message communicated in the marketing communication mix. Since the product is an automobile all key elements of a profile (demographic, behavioural, psychographic and geographic) will play a role.

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