Marketing An Introduction (Canadian) 6th edition Armstrong Solutions Manual

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CHAPTER 2
COMPANY AND MARKETING STRATEGY: PARTNERING TO BUILD CUSTOMER RELATIONSHIPS

General Teaching Tips for this Chapter

This chapter starts outlining some fairly difficult subjects for students. Strategic planning, growth- share matrices, and even the development of the marketing mix are relatively tough concepts for a second chapter in a beginning marketing text. Therefore, when planning how to present the material, be sure to leave plenty of time to go through at least some of the Applying the Concepts, as well as defining what the Key Terms really mean in the everyday working world. Several of the concepts presented in this chapter become important later in the text, and if the students come away understanding this chapter, they will have an easier time later in the semester.

- **15 MIN** covering companywide strategic planning. Focus on the "thread" that ties together the corporate strategic plan, corporate and business unit objectives, and the business or product portfolio. This last topic should be prominent in the discussion, as it sets the stage for later discussions of new product development.
- **5 MIN** on the second major section of the chapter, Planning Marketing. Although this section is important and touches on issues that will come up later in the text, it does not need to have the same level of focus as the other topics in this chapter.
- **20 MIN** devoted to marketing strategy. In particular, ensuring the students understand the true meaning of developing an intelligent marketing mix will set the stage for such later topics as integrated marketing communications, because they will already have thought about how different components of a plan should work together.
- **20 MIN** on managing the marketing effort. This section should really drive home the notion that marketing isn't just a creative endeavour. For instance, under marketing analysis as well as understanding the marketing environment, you can point out how these topics are a big part of what market research is all about.

More teaching tips follow below, in conjunction with each content section of this chapter.

Ideas for Activities and Assignments based on Opening Story (Christie Digital)

This point of this story is make students realize that not every company markets a consumer product that they, personally, will buy and use—but that doesn't mean B2B companies are boring. Far from it. Students have probably all seen the end results of the projection mapping equipment that Christie Digital manufactures and markets. To introduce the idea of projection mapping to students, show some videos from the Christie Digital YouTube channel (https://www.youtube.com/user/christieDigital/), such as their installations for Disney's Star Wars: The Force Awakens red carpet, York University, and Microsoft.

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Ideas for Activities and Assignments based on M@W 2.1 (Nike)

Nike's marketing success resulted in its brand losing its cachet and street cred, and signaled the end of the spend-big, win-big era of "push" marketing, This feature highlight's Nike's move into the customer-relationship marketing era, in which brands increasingly derive value from customers.

In-class group participation exercise: Form students into groups of three to five. Each group should read the opening vignette to the chapter on Nike. Each group should answer the following questions:

1. What has caused Nike's lasting popularity?
2. What has been the company's primary strategy?
3. What is Nike doing to ensure its future growth and success?

Each group should then share its findings with the class.

Ideas for Activities and Assignments based on M@W 2.2 (Red Bull)

This feature describes how Red Bull managed to compete against beverage giants Coca-Cola and PepsiCo by creating it's own category—energy drinks—and supporting it with a well-defined brand differentiation and positioning. Red Bull has become synonymous with extreme sports and wild stunts, like Felix Baumgaurtner's jump from space.

In-class small group participation exercise: Compare the positioning of other beverages in the energy drink category, such as Monster, Rockstar, Full Throttle and Amp. In what ways are they differentiated? In what ways are they the same? Do all the brands clearly communicate what makes them different? Do they communicate with the same customers? Students should consider product attributes, prices, distribution, and promotion. Each group should then share its findings with the class.

LO1: Explain company-wide strategic planning and its four steps.

To understand the role and place of top level marketing planning within a corporation, we first teach students the basic, typical, top level organization of a corporation. Refer to Figure 2.1: Most companies start their **strategic planning process** by defining an overall purpose and mission. This mission is turned into specific objectives that guide the whole company. Next, senior managers at the corporate level decide what portfolio of businesses and products is best for the company and how much support to give each one. In turn, each business and product develops detailed marketing and other departmental plans that support the company-wide plan.

Marketing planning occurs at the business unit, product, and market levels.

Marketing planning step 1: Defining the mission statement. A **mission statement** is a statement of the organization's purpose, and should be **market-oriented**, not product-oriented.

Marketing planning step 2: Setting company objectives and goals.

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LO1: Assignments and Activities

Students will largely be unfamiliar with strategic planning and its concepts and objectives. Making this come alive with the examples in the textbook, or your own examples from your own experience, will help them deal with the complex issues in this section. Working through a mission statement for the marketing department of your university, or for the business college within which it exists, may give the students a greater appreciation for the difficulty and importance of defining a mission that lives and breathes life into the objectives that follow.

You can also have the students look up the mission statements for the companies used as examples in the text, to see if those missions have changed—they shouldn't have, and you can make the point that mission statements rarely, if ever, change.

Another activity they'll find interesting is to look up the mission statement of the dream organization they would like to work for one day.

LO2: Discuss how to design business portfolios and develop growth strategies.

Marketing planning step 3: Designing the business portfolio; the collection of businesses and products that make up the company—i.e. the groupings of what the company markets. This only applies to large companies; small companies will have only one "portfolio" of products.

Strategic business units (SBUs): this is another name for the sub-businesses and product groupings that make up the company's business portfolios. Again, it is important for students to understand this only applies to large companies like Procter & Gamble, Disney, Campbell's, Rogers, General Motors, and the other examples given in the text. Another important point to make is that the structure and organization of SBUs changes from time to time, as companies re-think and re-organize. So one in-class exercise you can do for this section is to have students research the large companies mentioned, and find out (a) what their SBUs are; and (b) whether and how they have changed since they were described in the text.

BCG's growth-share matrix: stars, cash cows, question marks, dogs. This portfolio analysis tool can also be difficult to understand. Again, working through examples with companies the students should be familiar with will aid understanding. University business courses rarely talk about cross-functional team work, so this may come as a surprise to students. If they have worked in internships with large companies, they may well have seen functional silos at work, and their coursework only serves to reinforce that mentality. Examples of companies failing because of a lack of team work—which can happen frequently at small companies in particular—will open many students' eyes to the importance of ensuring that all functions work in concert to make the company a success.

Strategies for growth and downsizing: Students should be familiar with the product/market expansion grid (Figure 2.3), and with the terms **market penetration strategy** vs. market development strategy. Also with the terms **diversification**, **downsizing**, and **harvesting**. Focus on Under Armour, the example used in this section of the text—it's a brand the students are probably familiar with.

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Students may find it difficult to understand the growth strategies shown in the product/market expansion grid, because this is a theoretical model and an abstract concept. Though these areas are carefully described in the text, it is useful to make sure that students understand the mix of alternatives available to the strategist. One way to do this is to pick another example besides the example used in the text and have the students suggest acceptable alternatives. Remind students to think about how the example companies have expanded or contracted in recent years. Also, make students practice using the terms from the expansion grid in their discussions so a proper business strategy vocabulary will be built. This practice will really help the students when an exam rolls around.

LO2: Assignments and Activities

In-class group participation/game show activity: Break students into groups of four or five and have each team prepare a set of 12-15 slides that show images of products they believe to be either stars, cash cows, question marks, or dogs. (They should research BCG's website and the terms for more information.) Each team must assign a team captain, and the team captain must have some kind of buzzer they can use to indicate they are ready to answer the question. Then, one team at a time goes to the front of the class and goes through their slide, asking the other teams, is this an example of a star, a cash cow, a question mark, or a dog? To avoid anarchy, only the team captains may "buzz" in to answer the question. It is up to the team asking the questions to judge whether the answer is right or not. As the instructor, all you need to do is facilitate and observe, and record participation points as you see fit.

LO3: Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.

Marketing planning step 4: At market level, plan marketing strategies and tactics.

This section builds on what was learned in chapter 1: Marketing plays a key role in the company's strategic planning in several ways. It provides a guiding philosophy—the marketing concept—that suggests that company strategy should revolve around building profitable relationships with important consumer groups. Marketing provides inputs to strategic planners by helping to identify attractive market opportunities and by assessing the firm's potential to take advantage of them. And within individual business units, marketing designs strategies for reaching the unit's objectives. Once the unit's objectives are set, marketing's task is to help carry them out—profitably.

Customer value and value chains: As we learned in chapter 1, customer value is the key ingredient in the marketer's formula for success, but marketers alone cannot produce value for customers. Although marketing plays a leading role, it can be only a partner in attracting, keeping, and growing customers. In addition to *customer relationship management*, marketers must also practice *partner relationship management*.

Partnering with other company departments: Value chains and supply chains are important concepts that also are typically not discussed in other courses. Getting students to understand these concepts is important for their understanding of the remainder of the course. Showing how sloppy quality in a component purchased from a vendor ultimately affects customer satisfaction will help.

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Partnering with Others in the Marketing System: Companies must look beyond their own internal value chain and into the value chains of their suppliers, distributors, and, ultimately, customers. Think of McDonald's as a **marketing system**. People do not swarm to McDonald's because they love the chain's hamburgers—they flock to the McDonald's system, for everything it comprises and represents: a familiar restaurant; breakfast sandwiches; late night snacks; fun products and services for kids; a drive-through; and a consistent level of service and value for the money. Another way to view the marketing system is as a **value delivery network**; a network made up of the company, suppliers, distributors, and, ultimately, customers who partner with each other to improve the performance of the entire system.

LO3: Assignments and Activities

Small group in-class participation : Draw a diagram representing McDonald's marketing system or value delivery network.

LO4: Describe the elements of a customer-driven marketing strategy and mix, and the forces that influence it.

Introduce the term "marketing mix" by showing Figure 2.4 and Figure 2.5 and discussing it with the class. Students often miss this concept at the early stages of the course, and then weeks later start asking, "What do you mean by marketing mix?" The **marketing mix** is simply the collection of marketing tools and activities a company employs, and includes considerations of product, pricing, distribution (i.e. place/location), and promotion (i.e. marketing communications and advertising). They should think of the term **marketing strategy** as describing the company's top level decisions about how, exactly, to employ the tactics of each of the four Ps—the marketing mix.

This section also introduces the topics of **market segmentation, targeting, differentiation, and positioning**. At this point, students only need a general idea of what these terms mean; they will be studied in detail in chapter 7.

Market **segmentation and targeting** is universally a new concept to students, unless they happen to have a parent who works in marketing. Although this is discussed in detail in a future chapter, showing how a large, amorphous market can be broken down in more and more detailed groups of buyers will help.

Market **positioning** can be difficult to understand as well. Students will normally think of a product in terms of its features, and although positioning includes the features, it also spans the concepts of benefits and perceptions. Using examples of brands at opposite ends of a price continuum, such as Rolex versus Timex watches, helps drive home what positioning means.

The concept of **"translating" the four Ps into the four Cs** is an application of the marketing concept—the four Ps are the "old fashioned" way of looking at marketing, from the perspective of the company. The four Cs are the same ideas, but the perspective is that of the customer.

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LO4: Assignments and Activities

In-class group participation activity: Examine the websites of Harry Rosen's and Moore's. What is the positioning strategy for each of these clothing retailers? How are they similar? How are they different? Have students brainstorm these questions, jot down answers, and hand in one page with their names for participation points.

LO5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing return on marketing investment.

The most important concept in this section is the theoretical model of the **SWOT analysis**. Students may have learned this in an intro to business or other business strategy course, but it never hurts to give them more opportunities to practice using it. The biggest problem you'll find with students is that they think of doing a SWOT analysis as an academic exercise; they write down points but don't really think about what they mean, or whether they are important. It's as though they think the goal is to have as many items under each SWOT category as possible.

A good way to introduce the SWOT analysis is to do one as a group, using a company and industry that they are all familiar with, and writing their ideas on the board, like in a group brainstorming session. But after you've got 4-5 points under each SWOT letter, go back through each one and discuss and analyze them further. Get students to narrow it down to only one point under each—the most important strength of the company, the most important weakness, the most important opportunity, and the most important threat.

Figure 2.7 is another important, basic theoretical concept of marketing that students need to understand before moving on in the text. It's the idea that marketing is an ongoing function that "starts" with **analysis** of the situation (SWOT analysis), then **plans** the strategies, tactics, and programs; then **implements** those programs; and then "**controls**" or reviews and monitors them. Reviewing and monitoring marketing programs also requires analysis, which brings us back to the first stage in the process. And so on, and so on, in a never-ending cycle.

Introduction to the marketing plan: Most instructors who teach introduction to marketing give a term assignment for students to write a marketing plan for a company of their choosing. In this section, you can introduce the topic and go over the outline of a marketing plan on page 64.

Marketing department organization: The size of the marketing department depends on the size of the company, and in a large company there might be several sub-departments like a group working only on market research, another on marketing programs, and another on marketing communications. In a company with a large sales force, there might be a marketing department devoted exclusively to sales support. The lowest job level is the marketing assistant or marketing specialist, reporting to a marketing manager, reporting to a marketing director, reporting to a marketing vice president. A large company may even have more than one marketing VP. And a very large, marketing-focused organization will have a **chief marketing officer**, or CMO.

Marketing ROI: Marketing has traditionally been viewed as a cost, and the marketing department as a cost centre (as opposed to a profit centre, which is how sales departments are viewed—hence the longstanding animosity between marketing and sales), but in today's modern marketing world, marketers are under pressure to show proof of a return on the company's investment in marketing. This is called marketing ROI.

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

LO5: Assignments and Activities

In-class small group participation exercise: Read the WestJet marketing plan in Appendix 2. If you were WestJet's marketing executives, which market opportunity would you recommend to the company that it pursue next year? Draft a one page proposal of your recommendation.

In-class small group participation exercise: Conduct a SWOT analysis, develop objectives, and create a marketing strategy for your school.

Individual research/writing assignment: Explain the role of a chief marketing officer (CMO). Summarize an article that describes the importance of this position, the characteristics of an effective CMO, or any issues surrounding this position. Note to instructor: Students' selection of articles will vary. One issue regarding the CMO position is that the average tenure of a CMO is just over two years, which has created some controversy surrounding this position. An important skill for CMOs is the ability to communicate the financial value of marketing to the others in the executive suite. Some interesting articles are listed below:

Rooney, Jennifer (2010), "For CMOs of the Future, Agility Is Key to Success," *Advertising Age*, (June 21), pp. 4, 31. This article discusses how today's CMO must be able to communicate the financial value of marketing the rest of the C-level suite.

Cata, Carlos (2008), "CMOs Stop Obsessing Over the Tenure Stat," *Advertising Age*, (May 19), p. 40. This article discusses the characteristics of an effective CMO: leadership, trust, intent, and results.

Rooney, Jennifer (2008), "Marty Hamlish Knows Why CMOs Don't Last," *Advertising Age*, (April 17), pp. 18–19. This article is an interview with the CMO of SAP, Marty Hamlish. He explains how the role of the CMO is to nurture, grow, and protect the organization's brands.

Kiley, David and Burt Helm (2007), "The Short Life of the Chief Marketing Officer," *BusinessWeek*, (December 12), pp. 63–65. This article discusses the tenure of CMOs and what it takes to be successful.

Court, David (2007), "The Evolving Role of the CMO," *McKinsey Quarterly*, pp. 28–39. This article discusses how the role of the CMO must broaden due to significant changes in the marketplace. The author notes that changing customer needs and behavior are the reasons for this shift in importance of the CMO.

Individual research/writing assignment: Marketers are increasingly held accountable for demonstrating marketing success. Research the various marketing metrics, in addition to those described in the chapter and Appendix 3, used by marketers to measure marketing performance. Write a brief report of your findings. Note to instructor: Students will learn in their research that there are numerous academic and trade articles outlining several marketing metrics. There are

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several resources on the Internet as well but students need to be aware that marketing metrics encompass all areas of marketing, not just advertising or direct marketing that seem to come up high on search results. A comprehensive source on marketing metrics is Farris et al. (2006), *Marketing Metrics: 50+ Metrics Every Executive Should Master*, Pearson Education: Upper Saddle River, NJ, published as Wharton School Publishing.

Boston Pizza Comprehensive Case—Questions and Answers

1. **Do you think there is a priority system to Boston Pizza's four pillar strategy? If not, do you think there should be? Why?**

   Answer: Students answers will differ, but most will likely take a customer-centric view. It's interesting to note, however, that the pillars appear in a different order on the investor website, with franchisee profitability leading the list.

2. **Is it practical (or even possible) to make all corporate decisions while ensuring that all four decision criteria (aka the four pillars strategy) are met?**

   Answer: Students might find the growth strategy impractical, in which case, have them consider what might be permissible exceptions to the four pillars, and they might soon realize there's value in sticking to a system.

3. **Visit bostonpizza.com. Find and state BP's mission statement. Does it appear to be consistent with the brand's four pillar strategy?**

   Answer: "To be a world class franchisor through selecting and training people to profitably manage an outstanding food service business. To achieve this goal we are innovative and responsive in our approach in business. We work as a team providing attention to detail but never losing sight of the larger picture. We recognize the need to provide leadership in all areas of operations, marketing and restaurant development." (http://www.bpincomefund.com/en/about-bp/mission.aspx) Students may think the mission statement mostly reflects the first pillar, commitment to franchisee profitability, but that profitability doesn't happen without a strong brand and happy and loyal customers, as reflected by the other three pillars.

End of Chapter Materials

Discussion Questions

1. **Define *strategic planning* and briefly describe the four steps that lead managers and the firm through the strategic planning process. Discuss the role marketing plays in this process.** (AASCB: Written and oral communication)

   Answer: *Strategic planning* is the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities. At the corporate level, the company starts the strategic planning process by defining its overall purpose and mission (see Figure 2.1). This mission then is turned into detailed supporting objectives that guide the whole company. Next, headquarters decides what

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portfolio of businesses and products is best for the company and how much support to give each one. In turn, each business and product develops detailed marketing and other departmental plans that support the company-wide plan. Marketing planning occurs at the business-unit, product, and market levels. Marketing supports company strategic planning with more detailed plans for specific marketing opportunities.

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

2. **What is a SWOT analysis? How is this analysis useful in developing and implementing marketing strategies?** (AACSB: Written and oral communication)

   Answer: Managing the marketing function begins with a complete analysis of the company's situation. The marketer should conduct a *SWOT analysis*, by which it evaluates the company's overall strengths (S), weaknesses (W), opportunities (O), and threats (T). Strengths include internal capabilities, resources, and positive situational factors that may help the company serve its customers and achieve its objectives. Weaknesses include internal limitations and negative situational factors that may interfere with the company's performance. Opportunities are favorable factors or trends in the external environment that the company may be able to exploit to its advantage. And threats are unfavorable external factors or trends that may present challenges to performance.

   The company should analyze its markets and marketing environment to find attractive opportunities and identify environmental threats. It should analyze company strengths and weaknesses as well as current and possible marketing actions to determine which opportunities it can best pursue. The goal is to match the company's strengths to attractive opportunities in the environment, while simultaneously eliminating or overcoming the weaknesses and minimizing the threats. Marketing analysis provides inputs to each of the other marketing management functions.

3. **Explain the roles of market segmentation, market targeting, differentiation, and positioning in implementing an effective marketing strategy.** (AACSB: Written and oral communication)

   Answer: The market consists of many types of customers, products, and needs. The marketer must determine which segments offer the best opportunities. Consumers can be grouped and served in various ways based on geographic, demographic, psychographic, and behavioral factors. The process of dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors, and who might require separate products or marketing programs is called *market segmentation*. After a company has defined its market segments, it can enter one or many of these segments. *Market targeting* involves evaluating each market segment's attractiveness and selecting one or more segments to enter. A company should target segments in which it can profitably

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generate the greatest customer value and sustain it over time. After a company has decided which market segments to enter, it must decide how it will differentiate its market offering for each targeted segment and what positions it wants to occupy in those segments. A product's *position* is the place it occupies relative to competitors' products in consumers' minds. Marketers want to develop unique market positions for their products. If a product is perceived to be exactly like others on the market, consumers would have no reason to buy it. *Positioning* is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers. Marketers plan positions that distinguish their products from competing brands and give them the greatest advantage in their target markets. In positioning its brand, a company first identifies possible customer value differences that provide competitive advantages on which to build the position. Effective positioning begins with *differentiation*—actually *differentiating* the company's market offering so that it gives consumers more value. Once the company has chosen a desired position, it must take strong steps to deliver and communicate that position to target consumers. The company's entire marketing program should support the chosen positioning strategy.

4. **Define each of the four Ps. What insights might a firm gain by considering the four Cs rather than the four Ps?** (AACSB: Written and oral communication; Reflective thinking)

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

5. **How are marketing departments organized? Which organization is best?** (AACSB: Written and oral communication, Reflective thinking)

   Answer: Modern marketing departments can be arranged in several ways. The most common form of marketing organization is the *functional organization*. Under this organization, different marketing activities are headed by a functional specialist—a sales manager, an advertising manager, a marketing research manager, a customer service manager, or a new product manager. A company that sells across the country or internationally often uses a *geographic organization*. Its sales and marketing people are assigned to specific countries, regions, and districts. Geographic organization allows salespeople to settle into a territory, get to know their customers, and work with a minimum of travel time and cost. Companies with many very different products or brands often create a *product management organization*. Using this approach, a product manager develops and implements a complete strategy and marketing program for a specific product or brand.

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For companies that sell one product line to many different types of markets and customers who have different needs and preferences, a *market* or *customer management organization* might be best. A market management organization is similar to the product management organization. Market managers are responsible for developing marketing strategies and plans for their specific markets or customers. This system's main advantage is that the company is organized around the needs of specific customer segments. Many companies develop special organizations to manage their relationships with large customers. Large companies that produce many different products flowing into many different geographic and customer markets usually employ some *combination* of the functional, geographic, product, and market organization forms.

6. **Discuss the four marketing management functions.** (AACSB: Written and oral communication)

   Answer: Managing the marketing process requires the four marketing management functions—*analysis*, *planning*, *implementation*, and *control*. Managing the marketing function begins with a complete analysis of the company's situation. The marketer should conduct a *SWOT analysis* (pronounced "swat" analysis), by which it evaluates the company's overall strengths (S), weaknesses (W), opportunities (O), and threats (T). Marketing planning involves choosing marketing strategies that will help the company attain its overall strategic objectives. *Marketing implementation* is the process that turns marketing *plans* into marketing *actions* to accomplish strategic marketing objectives. Whereas marketing planning addresses the *what* and *why* of marketing activities, implementation addresses the *who*, *where*, *when*, and *how*. Because many surprises occur during the implementation of marketing plans, marketers must practice constant *marketing control*—evaluating the results of marketing strategies and plans and taking corrective action to ensure that the objectives are attained. Marketing control involves four steps. Management first sets specific marketing goals. It then measures its performance in the marketplace and evaluates the causes of any differences between expected and actual performance. Finally, management takes corrective action to close the gaps between goals and performance. This may require changing the action programs or even changing the goals.

Critical Thinking Exercises

1. **In a small group, research a company and construct a growth-share matrix of the company's products, brands, or strategic business units. Recommend a strategy for each unit in the matrix.** (AACSB: Written and oral communication; Reflective thinking)

   Answer: Students should be given this exercise with ample time to do research, and instructors may want to assign specific companies to different groups. Most standard portfolio analysis methods evaluate SBUs on two important dimensions: the attractiveness of the SBU's market or industry and the strength of the SBU's position in that market or industry. The best-known portfolio-planning method was developed by the Boston Consulting Group. Using the now-classic Boston Consulting Group approach, a company classifies all its SBUs according to the *growth-share matrix*. On the vertical

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axis, *market growth rate* provides a measure of market attractiveness. On the horizontal axis, *relative market share* serves as a measure of company strength in the market. The growth-share matrix defines four types of SBUs:

- *Stars.* Stars are high-growth, high-share businesses or products. They often need heavy investments to finance their rapid growth. Eventually their growth will slow down, and they will turn into cash cows.
- *Cash cows.* Cash cows are low-growth, high-share businesses or products. These established and successful SBUs need less investment to hold their market share. Thus, they produce a lot of the cash that the company uses to pay its bills and support other SBUs that need investment.
- *Question marks.* Question marks are low-share business units in high-growth markets. They require a lot of cash to hold their share, let alone increase it. Management has to think hard about which question marks it should try to build into stars and which should be phased out.
- *Dogs.* Dogs are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves but do not promise to be large sources of cash.

Once it has classified its SBUs, the company must determine what role each will play in the future. It can pursue one of four strategies for each SBU. It can invest more in the business unit to *build* its share. Or it can invest just enough to *hold* the SBU's share at the current level. It can *harvest* the SBU, milking its short-term cash flow regardless of the long-term effect. Finally, it can *divest* the SBU by selling it or phasing it out and using the resources elsewhere.

2. **Find the mission statements of two for-profit and two not-for-profit organizations. Evaluate these mission statements with respect to their market orientations.** (AACSB: Written and oral communication; Reflective thinking)

Answer: Students should be able to find mission statements by searching on the Internet. Some mission statements can be found at an organization's Web site or from other sources, such as articles or Web sites that compile this type of information. For example, http://retailindustry.about.com/od/retailbestpractices/ig/Company-Mission-Statements/ provides a collection of over 100 retailers' mission statements and http://drdianehamilton.wordpress.com/2011/01/13/top-10-company-mission-statements-in-2011/ gives top 10 company missions statements for 2012. See www.nonprofithub.org/featured/storytelling-like-bruce-three-examples-of-strong-nonprofit-mission-statements/ for links to non-profit organization mission statements. A market-oriented mission statement should be described in terms of satisfying basic customer needs and not a focus on products.

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Online, Mobile, and Social Media Marketing: Hewlett-Packard PCs

In 2011, Hewlett-Packard CEO Leo Apothekar made the strategic decision to exit the personal computer business, but he got fired and incoming CEO Meg Wittman reversed that decision. However, sales of personal computers have plummeted since the introduction of post-PC devices (tablets, eReaders, and smartphones). In the first quarter of 2013 alone, total PC shipments fell almost 14 percent, and no one felt that more than leading PC-maker HP. The company's PC sales fell 23.7 percent that quarter. Now, PC-makers are dropping prices—some more than 50 percent—on laptops and some are offering touch screens to compete with tablets and mobile devices in an attempt to gain back market share. HP's former CEO wanted to shift strategic focus more toward offering software to business markets. Maybe he had read the future correctly and was on the right strategic path. With the game-changing introduction of tablets, mobile technology, and social media, the future is not what it used to be.

1. **Explain which product/market expansion grid strategy PC-makers are currently pursuing to deal with the threat of post-PC devices. Is this a smart strategy?** (AACSB: Written and oral communication; Reflective thinking)

   Answer: Lowering prices to garner more sales from current customers is an example of a market penetration strategy. Adding touch screens to PCs to sell to current customers, however, is a product modification, which is an example of a product development strategy. This may work in the short term, but predictions are that mobile device growth will continue unabated.

Think Like a Marketing Manager: Apple

1. **Which of Apple's products are its stars, cash cows, question marks, and dogs?**

   Answer: There are no right or wrong answers, but students should be forced to research Apple's website, rather than just coming up with answers off the top of their heads. There will always be new products — are those the Stars? Are Apple's Star products always their Star products, or do their Stars change? Does Apple have any Dogs? (All companies do, but they aren't necessarily easy to find.) This question appears superficially easy, but finding good answers requires research and critical analysis.

2. **Which of the four market growth strategies in the product/market expansion grid have you observed Apple using?**

   Answer: Rather than just answer with one of the four growth strategies, have the students consider each of the four, and try to come up with examples for each. Again, this will require research, not only on Apple's website, but in the news of the last few years.

3. **How does Apple employ the elements of the marketing mix—product, price, place (distribution), and promotion?**

   Answer: Don't let the students give superficial answers. Guide them to consider the strategy behind each of the four Ps. For example, if you were working in Apple's product development group, what do you think your managers are giving you as direction, in

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terms of product strategy? The prices of Apple products are not arrived at simply by calculating how much it costs to make them and adding a markup — why do you think the original iPhone cost $500 U.S.? What was the strategy behind that pricing? Apple's distribution strategy is selective. What does that mean? Where can you buy Apple products? And what is the communications strategy behind Apple's various advertising campaigns?

4. **The iPhone was available in the U.S. in June 2007, but was not available in Canada until a year later. Similarly, Apple released the iPad in the United States in April 2010 but international consumers, who were only able to pre-order the product on May 10, were still faced with an "undetermined" launch date. What can you infer about Apple's international growth strategy?**

   Answer: Encourage students to research the details of what happened before formulating their answer. They can search news websites, and search for old press releases on Apple's and Rogers's websites, or on Canada Newswire.

Marketing Ethics

The topic here is selling digital monitoring technologies to autocratic regimes.

1. **In most cases, it is not illegal to sell such products to governments, oppressive or otherwise. But is it moral? Should companies be allowed to pursue a market development strategy wherever they find demand?** (AACSB: Written and oral communication; Ethical understanding and reasoning)

   Answer: Students' responses will vary. In some cases, embargoes prohibit U.S. companies from selling products or services to foreign nations for security reasons but also because of a country's human rights violations. However, other countries do not impose such embargoes, and often U.S. products get to these countries via other companies in other countries.

   An interesting essay adapted from the book, *The New Digital Age: Reshaping the Future of People, Nations, and Business*, written by Google's Eric Schmidt and Jared Cohen is "A Trip to the Digital Dark Side," *The Wall Street Journal* (April 20-21, 2013), C1-C2.

2. **Research the Blue Coat Systems incident and write a report of your findings. Did the company illegally sell surveillance products to Syria? Which element of the marketing mix is most related to this issue?** (AACSB: Written and oral communication; Reflective thinking)

   Answer: Students can do an Internet search of "Blue Coat Systems and Syria" and find considerable information. For example, see www.eff.org/deeplinks/2013/05/blue-coat-syria-scandal-next-shoe-drops-computerlinks-fzco for more information. Apparently, Computerlinks, an intermediary, was fined for dealing Blue Coat's technology to Syria. This article illustrates the importance of knowing who distributes your products in the channel of distribution—the "place" P of the marketing mix.

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Marketing by the Numbers

1. **Calculate the net marketing contribution (NMC) for this company.**

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

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

$$\text{marketing expenses} = \text{selling expenses} + \text{promotion expenses} + \text{marketing salaries}$$

and

$$\text{expenses} = \$70{,}000{,}000 + \$30{,}000{,}000 + \$10{,}000{,}000 = \$110{,}000{,}000$$

so,

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

2. **Calculate both marketing return on sales (or marketing ROS) and marketing return on investment (or marketing ROI) as described in Appendix 3. Is this company doing well?**

$$\text{marketing ROS} = \text{net marketing contribution} / \text{net sales}$$

$$= \$315{,}000{,}000 / \$800{,}000{,}000 = 39.4\%$$

$$\text{marketing ROI} = \text{net marketing contribution} / \text{marketing expenses}$$

$$= \$315{,}000{,}000 / \$110{,}000{,}000 = 286\%$$

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

End-of-Chapter Case: Dyson

Synopsis

Dyson started out as so many storybook success stories do—by one person, in a garage, tinkering away at a product idea. In this case, it took James Dyson over 15 years and 5,000 prototypes to come up with his first product. Dyson quickly became known as an innovative vacuum cleaner company. But this story quickly reveals that Dyson is about much more than making vacuums. At its core, Dyson is a technology company that seeks to develop new and innovative versions of everyday products that wow customers. With this as its mission, Dyson has not limited itself to vacuums.

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Teaching Objectives

The teaching objectives for this case are to:

1. Introduce students to the concepts of business and marketing strategy.
2. Highlight the difference between a mission statement and a market-oriented mission statement.
3. Establish the role of goals and objectives in marketing strategy.
4. Help students understand the importance of the business portfolio in growing a business.
5. Introduce the marketing mix as a core concept of marketing.

Discussion Questions

1. **Write a market-oriented mission statement for Dyson.**
   Searches of the Internet in general and the Dyson site specifically do not reveal a mission statement for Dyson. But if there were one, it might read something like this: "Take everyday products that don't solve customer problems well, and make them better." This not only describes the core of what every Dyson product does, but it frames it in the context of satisfying customer needs and resolving customer problems, as a market-oriented mission statement should.

2. **What are Dyson's goals and objectives?**
   This is a question that will require students to do some thinking and not just "seek-and-find" the information in the case. The only real objective stated in this case is a business objective: to double the annual revenues of $1.5 billion "quite quickly." But students should be pressed to understand Dyson as thoroughly as possible. Then, based on the information given in the case, they should extrapolate business and marketing goals. Some possibilities include:
   - To expand into new businesses. They did this with the washing machine, the hand dryer, the fan, and the bathroom faucet. What's next?
   - To support existing and new products with informational integrated marketing campaigns.
   - To ensure every product meets customer needs through thorough market testing.

3. **Does Dyson have a business portfolio? Explain.**
   Dyson most certainly has a business portfolio. Its original business was defined by vacuum cleaners. Then, it expanded into hand dryers. Then, into fans and heaters. The new bathroom faucet could be considered a subset of hand dryers as it seems to fit into the same category in terms of customers. It took a shot at washing machines with the Contrarotator, a product that was pulled from the market because it was not profitable. Each of these product lines represents a different business. Each has different characteristics in terms of size, revenues, profits, growth, etc. What is not apparent from this case is where Dyson will go next in terms of new businesses.

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4. Discuss Dyson's marketing mix techniques and how they fit within the context of its business and marketing strategy.

- Product: Dyson does a lot of R&D and focuses on developing technology through the building of prototypes and trial-and-error. As a technology company, it also seeks to use the technologies it develops for a given product or product line by finding other uses for them. This is all in line with its mission of creating new versions of everyday products that solve customer problems in new and exciting ways.
- Price: This is not discussed in the case. But Dyson prices its products at a premium. For example, its fans start at about $300. That's a huge price premium over typical household fans. Its new Airblade Tap retails for $1,500, a steep price for a bathroom faucet. But this pricing strategy fits the overall strategy of selling products that are innovative and high quality.
- Promotion: With its no nonsense promotional strategy, Dyson supports its marketing strategy. These products are designed to do the job, and its advertising focuses on demonstrating that.
- Distribution: There is not enough information in the case to illustrate this element of the marketing mix.

5. Is Dyson a customer-centered company? Explain.

This is a good question for discussion and debate. Dyson seems to start with developing technology. It is an engineering/design driven company. That would suggest a product orientation. However, as with a few other design driven companies (think 3M and Bose), Dyson produces hit after hit of products that customers love. They seem to be just what customers need and seem to resolve customer problems in ways that existing products simply cannot. Dyson's market testing procedures certainly contribute to this. But it may also simply be that like Apple and Steve Jobs, Dyson (the man and the company) has an uncanny knack for identifying gaps in the market and filling them with new and exciting products.

Teaching Suggestions

This is a great story to illustrate some of the factors that go in to making a new company a huge success. These days, the marketing environment is littered with success stories that seem to be magical, Cinderella, rags-to-riches types of stories. This has been fueled by the success of online companies, where startup and growth are far faster than for manufactured goods and services that are more traditional. In any case, it is easy for students to see a company go from nothing to a billion dollars in revenue and perceive that it is luck or that it is easy.

Dyson's story certainly puts that to rest. For every person who has ever said, "Why didn't I just do that" when they see a company that succeeds, the answers here should be very clear. It took Dyson 15 years to get his first product to market. During that time, he had no income, needed to raise the funds that would allow him to do the research and development, and ultimately had to produce over 5,000 prototypes. Once his product was finished, he then had to find someone to sell it. As students consider these factors that were very necessary for Dyson's success, it should become very clear why everyone doesn't just start their own company and become a billionaire.

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More Ideas for In-class Activities and Assignments Based on Chapter 2

Individual Writing Assignments

1. Develop a strategy for attracting new students to your college or university. Write a statement that describes your college/university's fit between the goal of attracting the best students and their capabilities for then educating those students.
2. Pick a company or brand from which you buy frequently. Visit their website and find the portfolio of products/services they sell. Pretend you are the company CEO. Categorize the products into logical groupings that will become your strategic business units (SBUs). Using your best judgment, allocate resources, using percentages, not dollar amounts, to each SBU (make sure the total comes to 100 percent).
3. Examine Rachael Ray's website. Consider the market for television cooking programs. Who do you believe Rachel Ray is targeting? How is Rachael Ray and her shows differentiated in the marketplace as a "product?"
4. Get the current issue of *Fortune* magazine; most university libraries carry it. Read the cover story and define the 4 Ps of one of the company's products mentioned. Then define the 4 Cs of the same product. Are there differences?

Mini Case Analysis: Apple's Marketing Strategy for the iPad

Have students research the launch and subsequent milestones in development of the iPad, up to the present day. Once they have a basic timeline of events established, they should answer the following questions:

1. What is Apple's mission statement? How does this apply to the iPad?
2. How do you think Apple describes the target market for the iPad? Is there more than one target market segment? If so, describe each segment.
3. What are Apple's SBUs? Which SBU does the iPad belong to?

Small Group Assignments

1. Research NASCAR and (a) Describe NASCAR's secret for their incredible growth; (b) Discuss NASCAR's multi-avenue promotions used to deliver the NASCAR experience; (c) A big part of the NASCAR experience is the feeling that the sport, itself, is personally accessible. How does NASCAR accomplish this?
2. The marketing mix is the set of controllable, tactical marketing tools the firm blends to product the responses it wants from the target market. These marketing tools can all be collected into four sets of variables known as the "four Ps." Consider Air Canada. Briefly describe the "four Ps" as they are utilized by Air Canada.

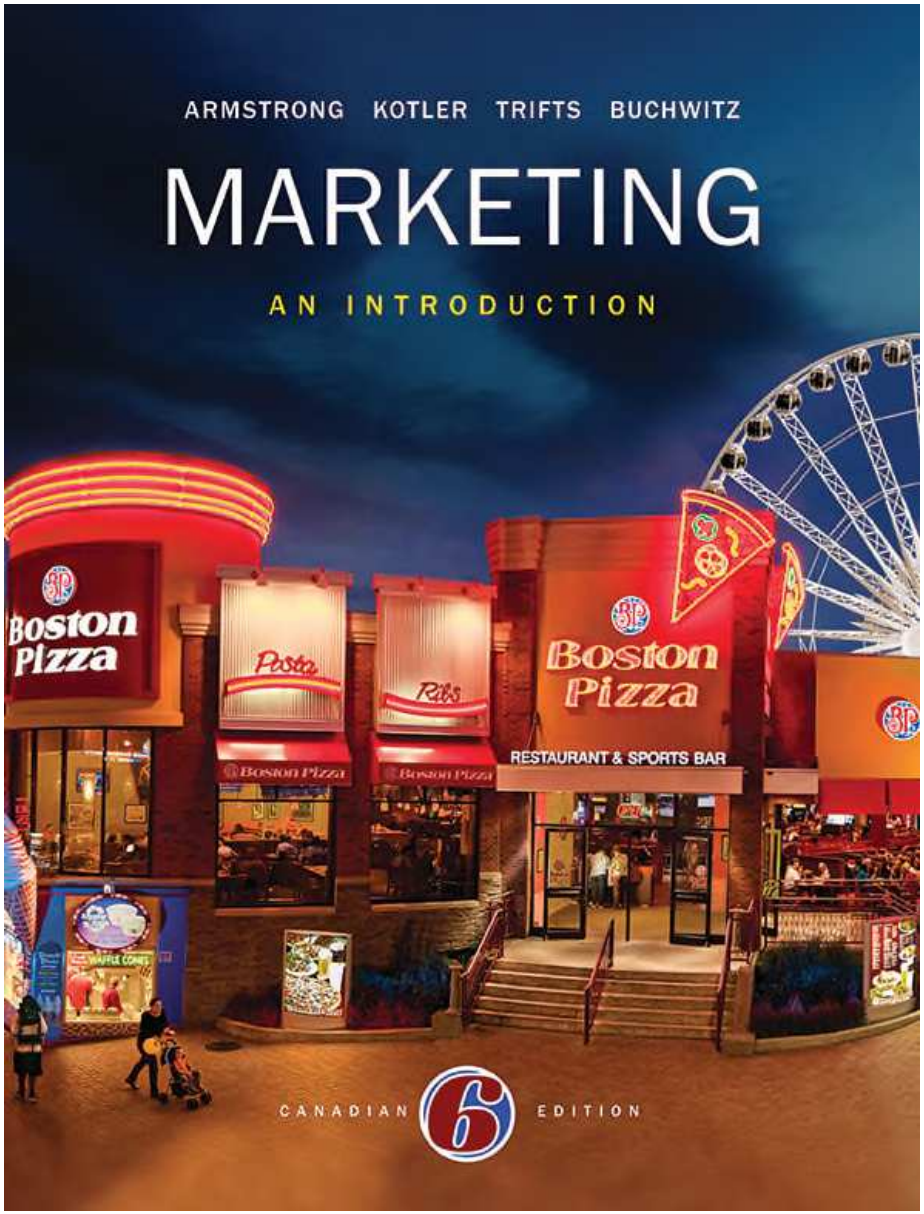
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Marketing: An Introduction

Armstrong, Kotler, Trifts, Buchwitz, Gaudet

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CHAPTER 2

Company and Marketing Strategy: Partnering to Build Customer Relationships



Northern Lights projection mapping, courtesy Capital Celebrations and Christie®

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Learning Objectives

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

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Steps in Strategic Planning

- **Strategic Planning Defined**:
  - Objective-based process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities



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Steps in Strategic Planning

- **Corporate Level**:
  - Defining the company mission
  - Setting company objectives and goals
  - Designing the business portfolio

- **Business Unit, Product, and Market Level**:
  - Planning marketing strategy as well as other functional strategies

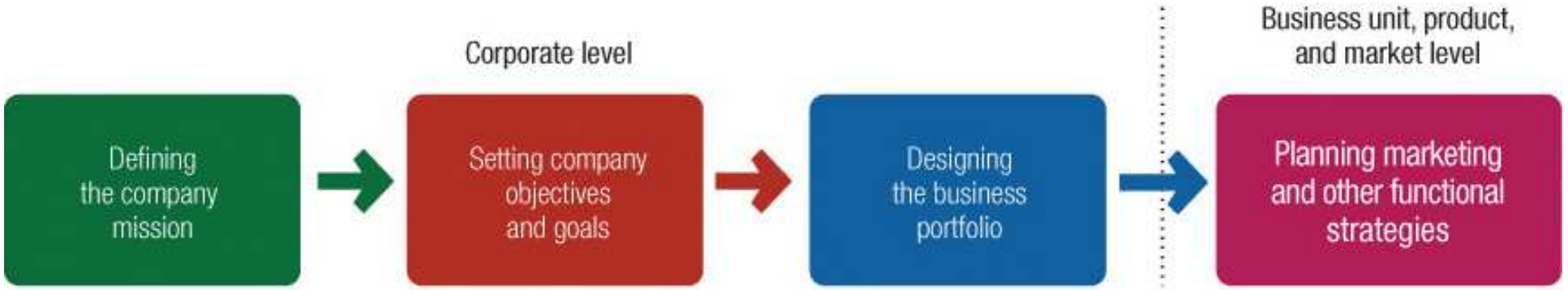
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Steps in Strategic Planning

FIGURE 2.1 Steps in Strategic Planning



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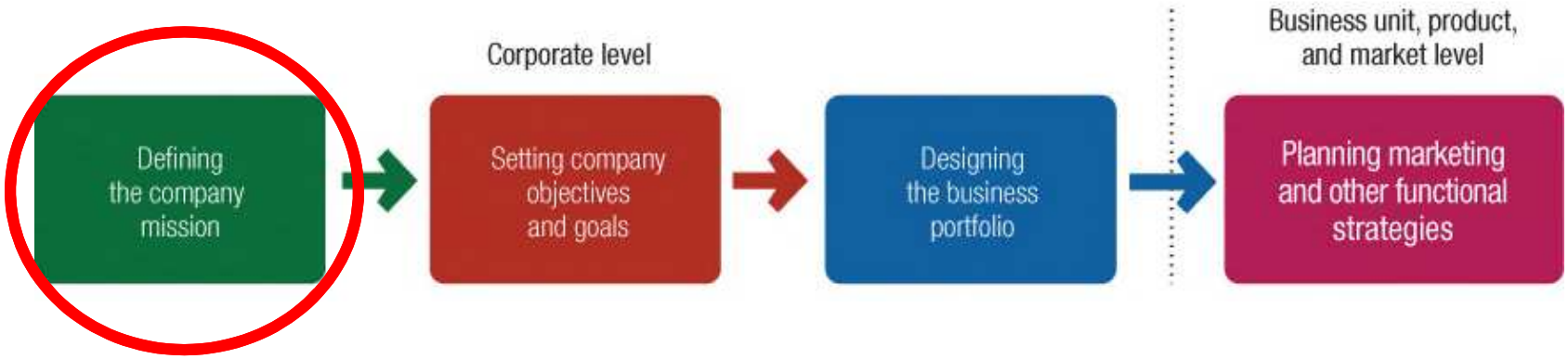
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Steps in Strategic Planning

- **Mission statement**: Statement of the organization's purpose – the value it offers, and for whom.

Example: Nike's mission is "to bring inspiration and innovation to every athlete* in the world. (*If you have a body, you are an athlete.)"



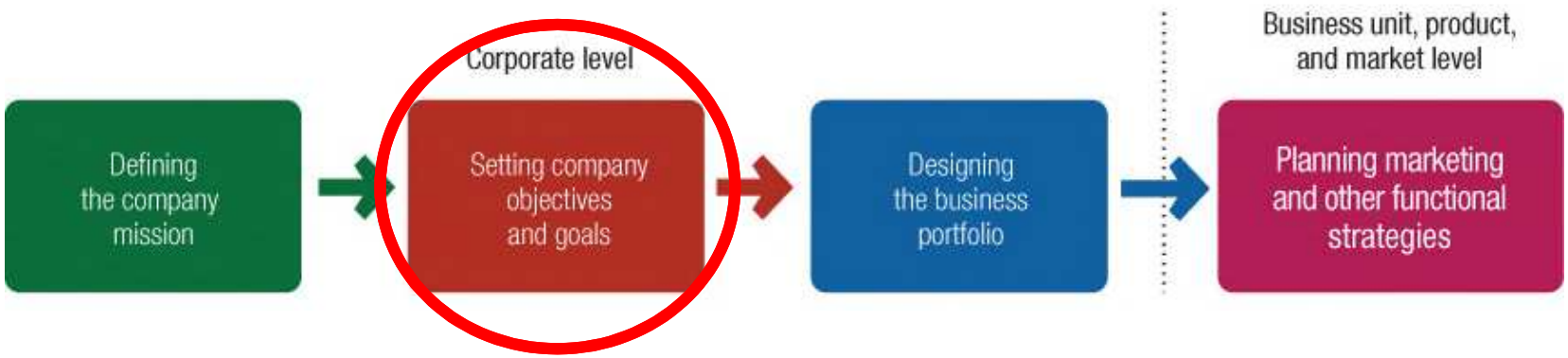
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Steps in Strategic Planning

- Translate mission into supporting objectives
  - Examples:
    - Business objective: Increase profits
    - Marketing objective: Increase market share of domestic and international markets



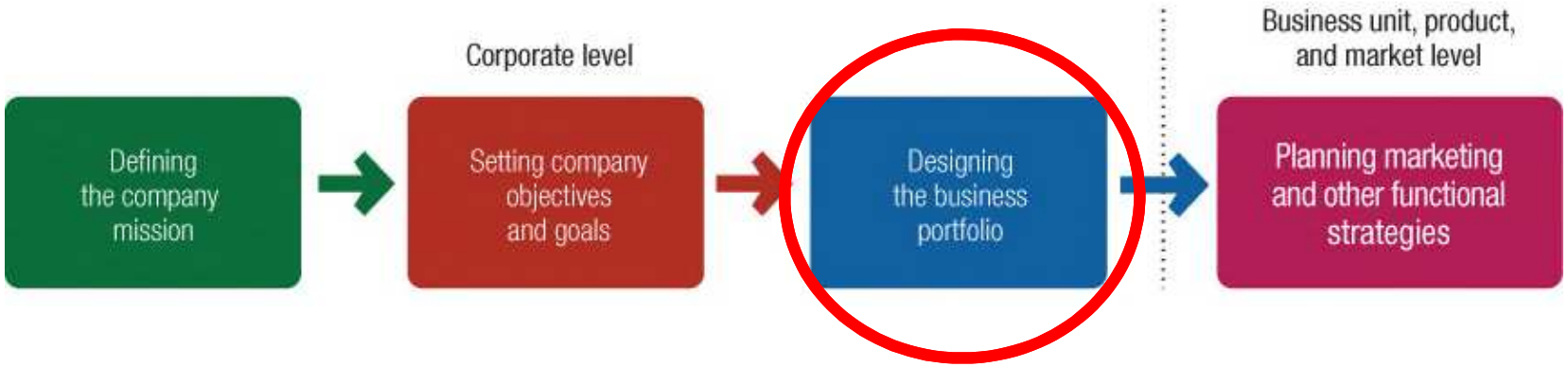
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Business Portfolios & Growth Strategies

- Assess the **business portfolio**:
  - Evaluate the firm's current businesses and products, and decide which should receive more, less, or no investment



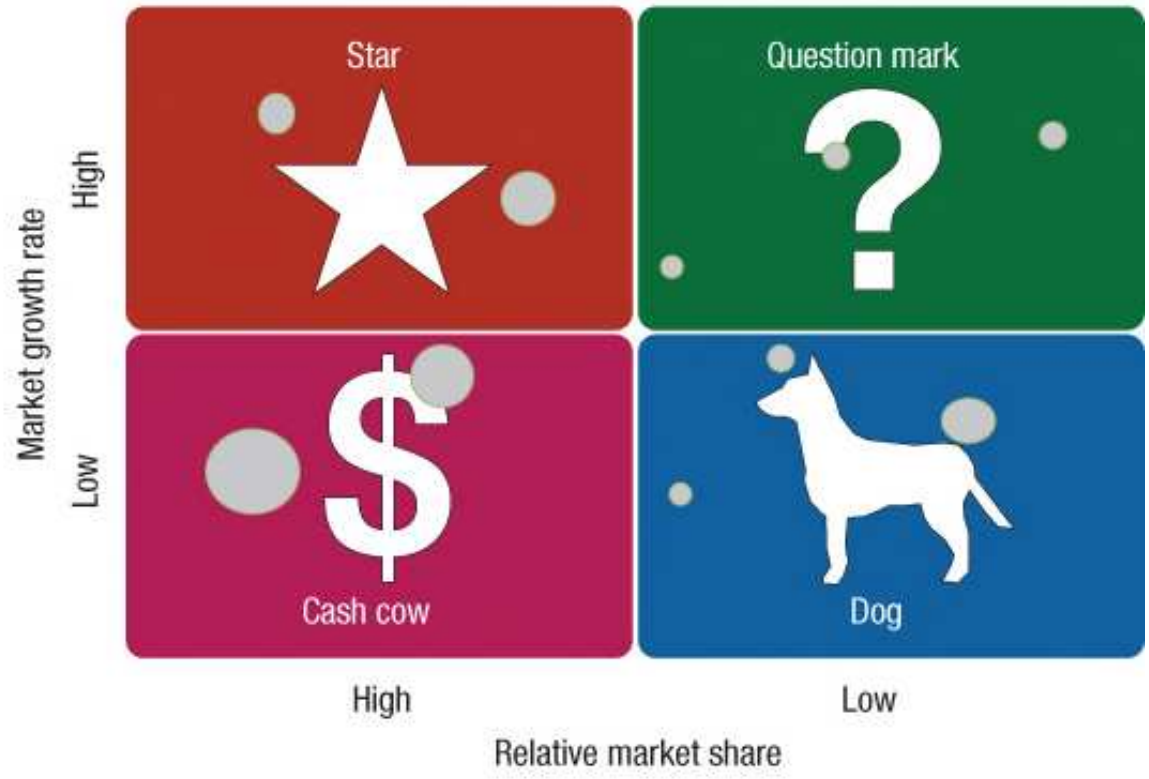
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Business Portfolios & Growth Strategies

FIGURE 2.2 The BCG Growth–Share Matrix



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Check Your Understanding



Assessing Apple

Suppose you are looking at Apple's line up of products and need to place four of its major products into separate quadrants of BCG's matrix.
In which category would you place:

- Tablets
- Smartphones
- Laptops
- Desktops

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Business Portfolios & Growth Strategies

- **Challenges in Portfolio Analysis:**
  - Time consuming, costly to implement
  - Measuring market share and growth rate
  - Future planning de-emphasized


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Business Portfolios & Growth Strategies

CAN YOU HANDLE THE TRUTH?

- Companies must develop strategies for growing and downsizing portfolios
- **Downsizing** eliminates products or business units that are not profitable or no longer fit the company's overall strategy
  - Many reasons exist for downsizing

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Business Portfolios & Growth Strategies

- Product/market grid identifies growth alternatives

FIGURE 2.3 The Product–Market Expansion Grid

	Existing products	New products
Existing markets	Market penetration	Product development
New markets	Market development	Diversification

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Business Portfolios & Growth Strategies

Product Market use example:

Tim Hortons® concludes it must grow in order to keep up with social preferences and competitive forces. Using the PM grid method, it could do any of the following:

- **Market penetration**: make the same products for the same market in an attempt to increase market share
- **Product development**: create a reduced calorie donut targeted at its current market
- **Market development**: attempt to reach dinner market with current products
- **Diversification**: create a gluten-free product for the gluten-intolerant market

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Planning Marketing: Partnering to Build Customer Relationships

- Provides a guiding philosophy
  - The marketing concept
- Provides input to strategic planners
  - Identifies opportunities
- Suggests strategies to reach objectives

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Role of Marketing in Planning

- **Partner Relationship Management:**
  - Working with internal partners can create an effective value chain
  - Working with external partners helps to form a superior **value delivery network**

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Role of Marketing in Planning

- Value delivery network includes:
  - Company's value chain
  - Suppliers
  - Distributors
  - Customers



- The goal is improved performance in delivering value to customers

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Marketing Strategy and the Marketing Mix

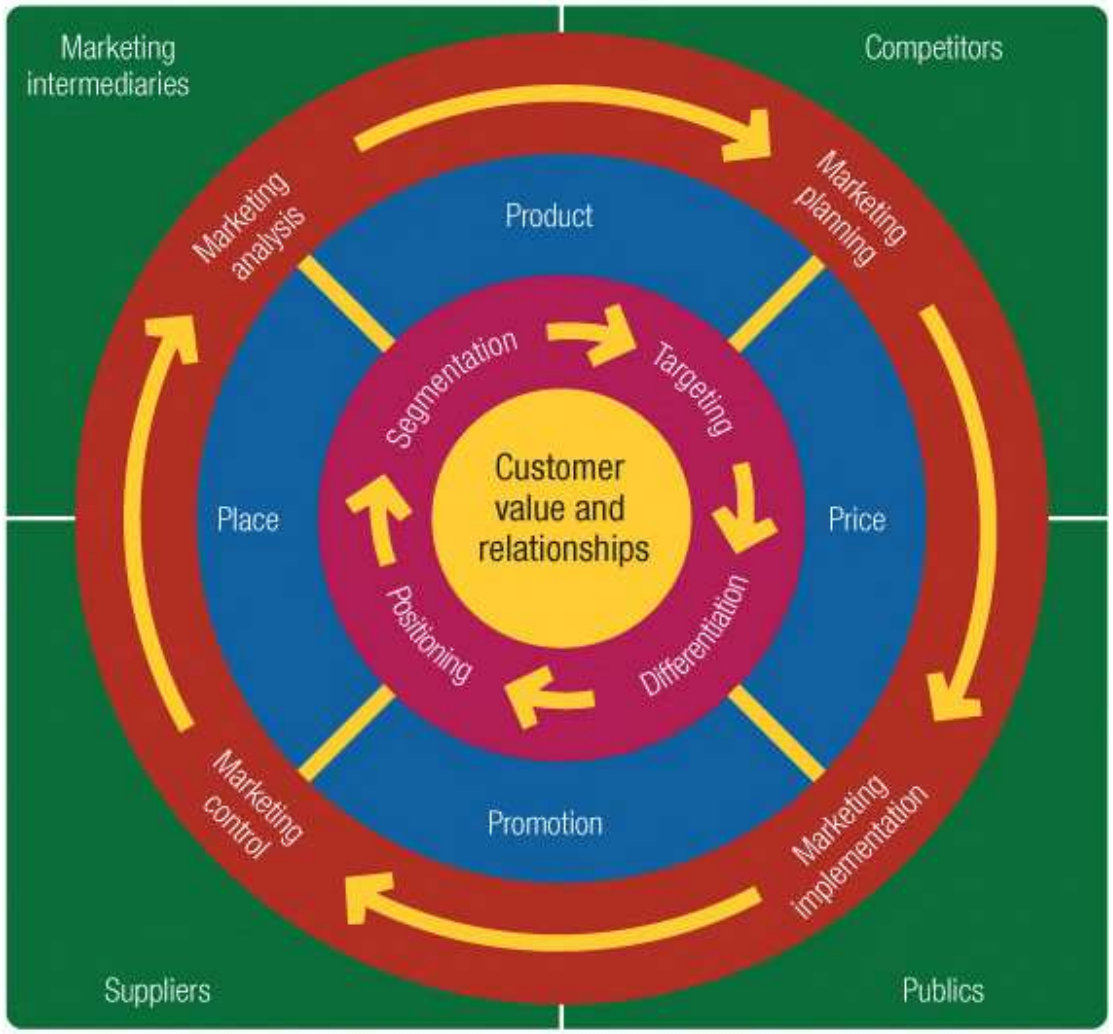
- Objective: build profitable customer relationships through value creation
- Strategies include:
  - **Market segmentation** and **targeting**
  - **Differentiation** and **positioning**
- Marketing strategy guides **marketing mix** decisions

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FIGURE 2.4 Managing Marketing Strategies and the Marketing Mix



Marketing Strategy and the Marketing Mix

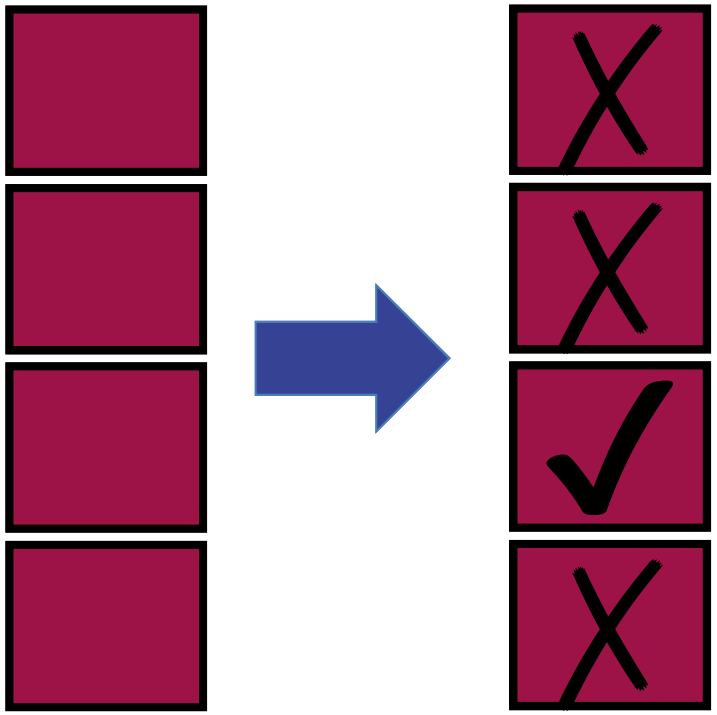
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Marketing Strategy and the Marketing Mix

- **Segmentation:**
  - Dividing a market into segments of buyers according to needs
- **Targeting:**
  - Evaluating each segment and selecting which to pursue



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Marketing Strategy and the Marketing Mix

- **Positioning:**
  - Attempting to occupy a desirable place in the minds of target consumers
- **Differentiation:**
  - Creating unique and superior customer value



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Marketing Strategy and the Marketing Mix

- **Marketing Mix:**
  - Product
  - Price
  - Place
  - Promotion

FIGURE 2.5 The Four *P*s of the Marketing Mix



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Marketing Strategy and the Marketing Mix

Seller View – Four *Ps*	Buyer View – Four *Cs*
Product	Customer Solution
Price	Customer Cost
Place	Convenience
Promotion	Communication

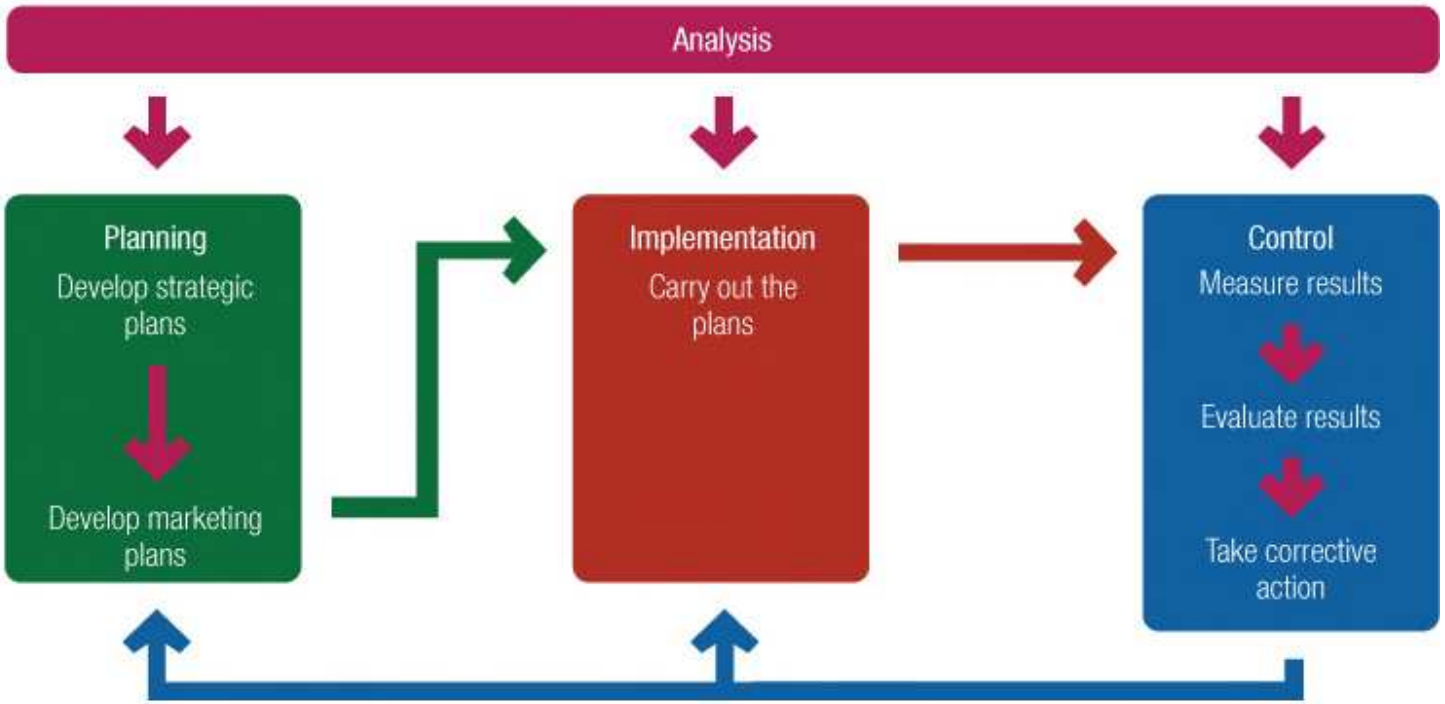
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Managing Marketing

FIGURE 2.7 Managing Marketing: Analysis, Planning, Implementation, and Control



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Marketing Management: Function 1

- SWOT Analysis:

FIGURE 2.8 SWOT Analysis: Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T)



Source: Roland T. Rust, Katherine N. Lemon, and Valerie A. Zeithaml, "Return on Marketing: Using Consumer Equity to Focus Marketing Strategy," *Journal of Marketing*, January 2004, p. 112.

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Marketing Management: Function 2

Marketing Plan

- Executive Summary
- Current Marketing Situation
  - SWOT
- Objectives and Issues
- Marketing Strategy
- Action Programs
- Budgets
- Controls



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Marketing Management: Function 3

- **Implementation**: Plans converted to actions by assigning:
  - ✓ Who
  - ✓ Where
  - ✓ When
  - ✓ How



Michelin North America

Exhibit 2.11 Marketing implementation: At Michelin, marketing implementation requires that thousands of people inside and outside the company work together to convince customers that "the right tire changes everything."

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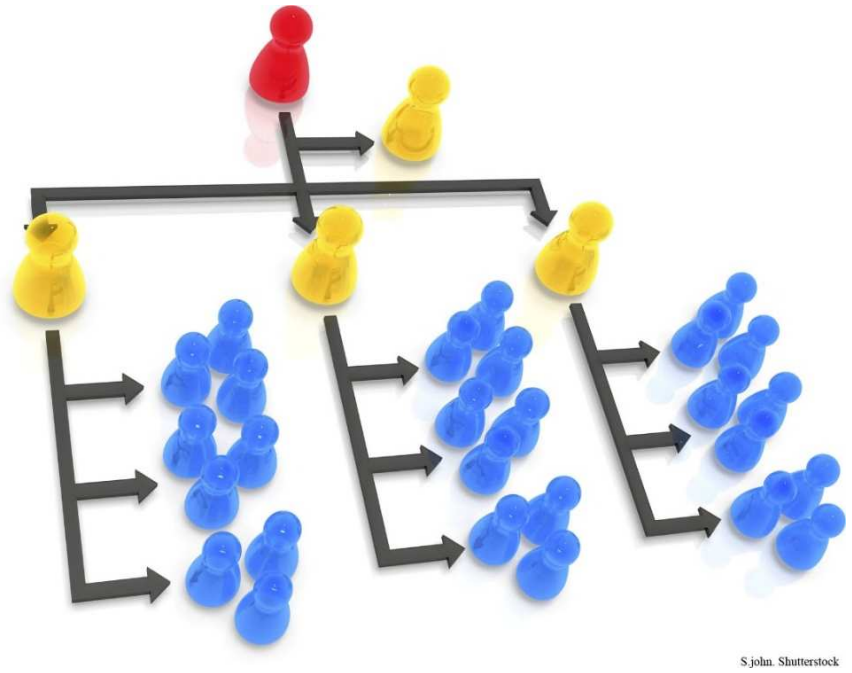
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Marketing Department Organization

Chief Marketing Officer/ VP Marketing

- Functional organization
- Geographic organization
- Product management
- Market or customer
- Combination



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Marketing Management: Function 4

- Marketing control involves four steps:
  1. Set specific marketing goals
  2. Measure performance in the marketplace
  3. Evaluate performance
  4. Take corrective action to close the gaps between goals and performance

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Marketing Management: Function 4

- **Operating Control**:
  - Evaluates performance against the annual plan and takes corrective action
- **Strategic Control:**
  - Evaluates whether strategies match opportunities

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Check Your Understanding

SWOT Breakdown

The elements of SWOT are easy to remember but difficult to apply. "S" and "O" are good. "W" and "T" are bad. The differences between the two positive forces and the two negative forces lies in where they originate. Strengths and weaknesses come from within and are totally controlled by the firm. Opportunities and threats come from outside and are uncontrollable by the firm. Assign an S, W, O, or T to the statements on the right.

1. A slow economy will decrease consumer demand. _____
2. The firm has a high customer satisfaction rating. _____
3. The firm will postpone expansion due to shortage of capital. _____
4. There is a growing demand for the firm's type of goods. _____

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Reviewing the Concepts

- Explain the four steps of company-wide strategic planning.
- Discuss how to design business portfolios and growth strategies.
- Explain marketing's role in strategic planning and how marketing creates and delivers customer value.
- Describe the elements of a customer-driven marketing strategy and mix, and the forces that influence it.
- List the marketing management functions and discuss the importance of measuring and managing return on marketing investment.

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