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Chapter 2
COMPANY AND MARKETING STRATEGY: PARTNERING TO BUILD CUSTOMER ENGAGEMENT, VALUE, AND RELATIONSHIPS

MARKETING STARTER: CHAPTER 2
Starbucks's Marketing Strategy: Delivering "The Starbucks Experience"

Synopsis

Starbucks met with enormous early success by focusing not just on coffee but on the coffee-drinking experience. The company has since taken a bumpy ride from boom to bust and back to boom again. Along the way, it learned that a good marketing strategy means more than just growth, sales, and profits. It means skillfully engaging customers and creating value for them. At its core, Starbucks doesn't sell just coffee, it sells "The Starbucks Experience."

After a period of frantic growth, Starbucks refocused on the "experience" and is once again fully engaged with customers. Starbucks has built customer engagement and brand community through digital and mobile platforms. It delivers the one-of-a-kind Starbucks Experience and, as a result of good performance on this objective, revenues and profits have shot up.

Discussion Objective

A brief discussion of the Starbucks story will help to solidify the importance of creating a company-wide marketing strategy that is customer focused, and revamping it when necessary. This theme began in Chapter 1 and continues in Chapter 2. It also provides a nice opportunity to examine overall company strategy and mission, and their relationship to marketing strategy and activities. Finally, Starbucks provides a great example of how companies are taking new directions in building customer relationships and brand community. Starbucks has almost always focused on the brand experience. In the early years, it built the brand's image through word-of-mouth and customer focus. Now, it focuses a sizable portion of its marketing efforts on creating more personal and involving brand experiences.

Starting the Discussion

To make the chapter-opening Starbucks story more personally relevant to the class, begin by asking, "How many of you drink Starbucks? Has Starbucks changed its offerings in the time you have been buying its products? In what way?" After a brief opening discussion, go online with students to explore Starbucks's website (http://www.starbucks.com).

Direct the discussion using the following questions. As always, keep the discussion moving with plenty of student input.

Discussion Questions

1. What is Starbucks really selling? What are customers really buying? How and how deeply do customers relate to the Starbucks brand? (Starbucks sells a lot more than just coffee. When customers purchase something at Starbucks, they are buying a brand experience. Ask students what that brand experience feels like to them.)
2. If you worked as a Starbucks operations manager, financial analyst, IT specialist, or human resources manager, why would it be important for you to understand Starbucks's marketing strategy? This question digs into the relationship between corporate strategy and marketing strategy, and marketing's role in the broader company strategy. Non-marketing students often ask, "Why do I need to understand marketing?" The answer—as noted in Chapter 1 and later in Chapter 2—everyone in the company needs to align behind the mission of creating customer value.

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3. How does the chapter-opening Starbucks story relate to what comes later in the chapter? (This question transitions the discussion into Chapter 2 topics such as overall company strategy and mission, marketing's role, customer-driven marketing strategy and planning, and measuring marketing ROI.)

CHAPTER OVERVIEW

Use Power Point Slide 2-1 here

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

CHAPTER OBJECTIVES

Use Power Point Slide 2-2 here

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 under strategic planning and how marketing works with its partners to create and deliver customer value.
4. Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.
5. List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.

CHAPTER OUTLINE

p. 38	**INTRODUCTION** Starbucks began by offering coffee in a European-style coffeehouse, a "third place." The goal was to engage customers and provide customer value. As the market grew, Starbucks chose an aggressive growth strategy to compete with everything from independent coffeehouses to fast-food restaurants. When Starbucks stumbled, it overcame the struggles by returning to its focus on customers and providing "The Starbucks Experience." In the digital age, Starbucks works to build deep and strong relationships with customers.	p. 39 Photo: Starbucks

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	It engages customers by talking with them rather than at them. It builds a Starbucks brand community. Since the Great Recession and returning to a customer-centered focus, Starbucks's revenues and profits have grown. This outcome seems to confirm the wisdom of Starbucks's marketing strategy.	
	➢ **Assignments, Resources** Use *Small Group Assignment 1* here Use *Individual Assignment 1* here	
	➢ **Opening Vignette Questions** 1. Discuss Starbucks's marketing strategy in terms of delivering increased customer value. What is inherently better about the current Starbucks marketing from the customer's point of view? 2. For a while, Starbucks lost its "cool" factor. Based on your experience and perception, has the company gotten it back? Why or why not? 3. What comes next for Starbucks in the 21st century? What new marketing strategies might the company develop to remain fresh and relevant?	
p. 40 PPT 2-3 PPT 2-4 PPT 2-5	**Explain company-wide strategic planning and its four steps.** **COMPANY-WIDE STRATEGIC PLANNING: DEFINING MARKETING'S ROLE** The hard task of selecting an overall company strategy for long-run survival and growth is called strategic planning. **Strategic planning** is the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing market opportunities. Strategic planning sets the stage for the rest of the planning in the firm. Companies typically prepare annual plans, long-range plans, and strategic plans. At the corporate level, the company starts the strategic planning process by defining its overall purpose and	Learning Objective 1 p. 40 Key Term: Strategic planning p. 41 Figure 2.1: Steps in Strategic Planning

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	mission (see Figure 2.1). It then creates detailed supporting objectives that guide the entire company. Next, headquarters decides what portfolio of businesses and products is best for the company and how much support to give each one. In turn, each business and product develops detailed marketing and other departmental plans that support the company-wide plan. Thus, marketing planning occurs at the business-unit, product, and market levels.	
	➢ **Assignment, Resources** Use *Discussion Question 2-1* here Use *Video Case* here ➢ **Troubleshooting Tip** Most students have had no experience with strategy or strategy formulation (especially at the under-graduate level). Because their background in strategy is weak, their ability to strategically plan is also weak. The best way to attack this problem is to follow the explanation sequence provided by the text. Before this discussion begins, however, it might be useful to find areas where students have had strategic planning experience (such as athletics, student politics, games, video games, chess, computer games, etc.). By asking the students to recall and relate these experiences, parallels can be drawn to business strategies and the plans that result from these strategies (for example, think of all the military and athletic terms that might be used to describe a business strategy—i.e., flanker movement for flanker brands).	
p. 40 PPT 2-6	**Defining a Market-Oriented Mission** Many organizations develop formal mission statements. A **mission statement** is a statement of the organization's purpose—what it wants to accomplish in the larger environment. A clear mission statement acts as an "invisible hand" that guides people in the organization. A market-oriented mission statement defines the business in terms of satisfying basic customer needs. Management should avoid making its mission too narrow or too broad. Missions should be realistic, specific, consistent with the	p. 41 Key Term: Mission statement p. 41 Table 2.1: Product- versus Market-Oriented Business Definitions

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	market environment, based on the company's distinctive competencies, and motivating.	
	➢ **Assignments, Resources** Use *Critical Thinking Exercise 2-8* here	
p. 42 PPT 2-7	**Setting Company Objectives and Goals** The company's mission needs to be turned into detailed supporting objectives for each level of management. The mission leads to a hierarchy of objectives, including business objectives and marketing objectives. Marketing strategies and programs must be developed to support these marketing objectives. **Review Learning Objective 1:** Explain company-wide strategic planning and its four steps.	p. 42 Photo: CVS Health
p. 42 PPT 2-8	**Discuss how to design business portfolios and develop growth strategies.**	Learning Objective 2
PPT 2-9	**Designing the Business Portfolio** A **business portfolio** is the collection of businesses and products that make up the company. The best portfolio is the one that best fits the company's strengths and weaknesses to opportunities in the environment.	p. 43 Key Term: Business portfolio
	➢ **Assignments, Resources** Use *Real Marketing 2.1* here Use *Additional Project 1* here Use *Think-Pair-Share 1* here	
p. 43	**Analyzing the Current Business Portfolio** The major activity in strategic planning is business **portfolio analysis**, whereby management evaluates the products and businesses making up the company.	p. 43 Key Terms: Portfolio analysis
p. 45 PPT 2-10	The first step in business portfolio analysis is to identify the key businesses that make up the company, the strategic business units (SBUs). An SBU can be a company division, a product line within a division, or a single product or brand. The next step in business portfolio analysis calls for	

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PPT 2-11 PPT 2-12	management to assess the attractiveness of its various SBUs and decide how much support each deserves. 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 Boston Consulting Group Approach.*** The best-known portfolio-planning method was developed by the Boston Consulting Group. This matrix defines four types of SBUs: • Stars: high-growth market, high-share product • Cash cows: low-growth market, high-share product • Question marks: low-share product, high-growth market • Dogs: low-share product, low-growth market Once it has classified its SBUs, the company must determine what role each will play in the future. The company can invest more in the business unit in order to grow its share. It can invest just enough to hold the SBU's share at the current level. It can harvest the SBU, milking its short-term cash flow regardless of the long-term effect. Or, it can divest the SBU by selling it or phasing it out.	p. 43 Key Term: Growth-share matrix p. 45 Figure 2.2: The BCG Growth-Share Matrix
	➢ **Assignments, Resources** Use *Discussion Question 2-2* here Use *Small Group Assignment 2* here Use *Individual Assignment 2* here ➢ **Troubleshooting Tip** This simple matrix is the basis for many portfolio analysis techniques. An easy way to cover this material quickly is to assign each of the four parts to four students prior to class. Next, have them respond to example suggestions (illustrations of the four cells) from their classmates. This will reinforce the material for the entire class.	

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p. 46 PPT 2-13	***Problems with Matrix Approaches*** Portfolio-analysis approaches have limitations. • They can be difficult, time-consuming, and costly to implement. • Management may find it difficult to define SBUs and measure market share and growth. • These approaches focus on classifying current businesses but provide little advice for future planning. Because of such problems, many companies have dropped formal matrix methods in favor of more customized approaches that are better suited to their specific situations.	p. 46 Photo: GE
p. 46	**Developing Strategies for Growth and Downsizing** Designing the business portfolio involves finding businesses and products the company should consider in the future. Marketing has the main responsibility for achieving profitable growth for the company. Marketing must identify, evaluate, and select market opportunities and lay down strategies for capturing them. The product/market expansion grid looks for new opportunities. The **product/market expansion grid** is shown in Figure 2.3.	p. 47 Figure 2.3: The Product/Market Expansion Grid p. 46 Key Term: Product/market expansion grid
PPT 2-14 PPT 2-15	• **Market penetration** involves making more sales to current customers without changing the product. • **Market development** involves identifying and developing new markets for its current products. • **Product development** involves offering modified or new products to current markets. • **Diversification** involves a company starting up or buying businesses outside of its current products and markets.	p. 47 Key Terms: Market penetration, market development, product development, diversification p. 47 Ad: Under Armour
PPT 2-16	Companies must also develop strategies for downsizing their businesses. The company must carefully prune, harvest, or divest brands or businesses that no longer fit its overall strategy or are unprofitable. **Review Learning Objective 2:** Discuss how to design business portfolios and develop growth strategies.	

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	➢ **Assignments, Resources** Use *Critical Thinking Exercise 2-6* here Use *Online, Mobile, and Social Media Marketing* here Use *Marketing Ethics* here ➢ **Troubleshooting Tip** Many students will have an incomplete understanding of the growth strategies shown in the *product/market expansion grid.* 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 Under Armour example used in the text and have the students suggest acceptable alternatives. Remind students to think about how the example companies have expanded or contracted in recent years. Lastly, make students practice using the terms from the expansion grid in their discussions so a proper business strategy vocabulary will be built. This practice will really help the students when an exam rolls around.	
p. 48 PPT 2-17 p. 48	**Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.** **PLANNING MARKETING: PARTNERING TO BUILD CUSTOMER RELATIONSHIPS** Within each business unit, more detailed planning takes place. The major functional departments in each unit must work together to accomplish strategic objectives. Marketing provides a guiding philosophy—the marketing concept—that suggests that company strategy should revolve around building profitable relationships with important customer 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. Marketing designs strategies for reaching the unit's objectives. **Partnering with Other Company Departments**	Learning Objective 3

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PPT 2-18	Each company department can be thought of as a link in the company’s value chain.	p. 48 Key Term: Value chain
	A **value chain** is the series of departments that carry out value-creating activities to design, produce, market, deliver, and support the firm’s products.	p. 49 Ad: True Value
	A company’s value chain is only as strong as its weakest link.	
PPT 2-19	Success depends on how well each department performs its work of adding customer value and on how well the activities of various departments are coordinated.	
p. 49	In practice, departmental relations are full of conflicts and misunderstandings.	
	Partnering with Others in the Marketing System	
PPT 2-20	The firm needs to look beyond its own value chain and into the value chains of its suppliers, distributors, and, ultimately, its customers.	p. 50 Key Term: Value delivery network
	More companies today are partnering with other members of the supply chain to improve the performance of the customer **value delivery network**.	
	Increasingly, today’s competition no longer takes place between individual competitors. Rather, it takes place between the entire value-delivery networks created by these competitors.	
	Review Learning Objective 3: Explain marketing’s role in strategic planning and how marketing works with its partners to create and deliver customer value.	
	➢ **Assignments, Resources** Use *Additional Project 2* here Use *Real Marketing 2.2* here Use *Discussion Question 2-3* here	
p. 50 PPT 2-21	**Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.**	Learning Objective 4

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PPT 2-22 p. 50 PPT 2-23 PPT 2-24	**MARKETING STRATEGY AND THE MARKETING MIX** Marketing's role and activities are shown in Figure 2.4, which summarizes the major activities involved in managing marketing strategy and the marketing mix. **Marketing strategy** is the marketing logic by which the company hopes to achieve profitable customer relationships. **Customer Value-Driven Marketing Strategy** Companies know that they cannot profitably serve all consumers in a given market—at least not all consumers in the same way. **Market Segmentation** The process of dividing a market into distinct groups of buyers with different needs, characteristics, or behaviors who might require separate products or marketing programs is called **market segmentation**. A **market segment** consists of consumers who respond in a similar way to a given set of marketing efforts.	p. 50 Figure 2.4: Managing Marketing Strategies and the Marketing Mix p. 50 Key Term: Marketing strategy p. 51 Key Terms: Market segmentation, market segment
	➢ **Troubleshooting Tip** Market segmentation and market targeting are universally new concepts 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 into more and more detailed groups of buyers will help.	
p. 51 PPT 2-25	**Market Targeting** **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 generate the greatest customer value and sustain it over time. **Market Differentiation and Positioning**	p. 51 Key Term: Market targeting

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PPT 2-26	Differentiation begins the positioning process. To gain competitive advantage, the company must offer value to target consumers. This is accomplished through product **differentiation**—actually differentiating the company's market offering so that it gives consumers more value. A product's position is the place the product occupies relative to competitors in consumers' minds. Marketers want to develop unique market positions for their products. **Positioning** is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target customers.	p. 51 Key Term: Positioning p. 51 Ad: Southwest p. 53 Key Term: Differentiation
	➢ **Troubleshooting Tip** Market positioning can be difficult to understand as well. Students will normally think of a product in terms of its features, and although positioning includes the features, it also spans the concepts of benefits and perceptions. Using examples of brands at opposite ends of a price continuum, such as Rolex and Timex watches, helps drive home what positioning means.	
p. 53 PPT 2-27 PPT 2-28	**Developing an Integrated Marketing Mix** The **marketing mix** is the set of tactical marketing tools that the firm blends to produce the response it wants in the target market. This is described in Figure 2.5. *Product* refers to the goods-and-services combination the company offers to the target market. *Price* is the amount of money customers must 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. An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering	p. 53 Key Term: Marketing mix p. 54 Figure 2.5: The Four P's of the Marketing Mix

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	value to consumers. Some critics feel that the four Ps may omit or under-emphasize certain important activities. From the buyer's viewpoint, in this age of customer relationships, the four Ps might be better described as the four Cs: • Customer solution • Customer cost • Convenience • Communication **Review Learning Objective 4:** Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence them.	
	➢ **Assignments, Resources** Use *Additional Project 2* here Use *Real Marketing 2.2* here Use *Discussion Question 2-4* here Use *Additional Project 3* here Use *Think-Pair-Share 2* here Use *Outside Example 1* and *2* here	
p. 55 PPT 2-29 p. 55 PPT 2-30 PPT 2-31	**List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment** **MANAGING THE MARKETING EFFORT AND MARKETING RETURN ON INVESTMENT** Managing the marketing process requires the four marketing management functions shown in Figure 2.6. • Analysis • Planning • Implementation • Control **Marketing Analysis** Managing the marketing function begins with a complete analysis of the company's situation. The company must analyze its markets and marketing environment to find attractive opportunities and avoid environmental threats.	Learning Objective 5 p. 55 Figure 2.6: Managing Marketing: Analysis, Planning, Implementation, and Control p. 55 Key Term: SWOT analysis p. 56 Figure 2.7: SWOT Analysis: Strengths (S), Weaknesses

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	The marketer should conduct a **SWOT analysis** by which it evaluates the company's overall strengths, weaknesses, opportunities, and threats.	(W), Opportunities (O), and Threats (T)
	➢ **Assignments, Resources** Use *Critical Thinking Exercise 2-7* here	
p. 56 PPT 2-32	**Marketing Planning** Marketing planning involves deciding on marketing strategies that will help the company attain its overall strategic objectives. A detailed marketing plan is needed for each business, product, or brand. Table 2.2 outlines the major sections of a typical product or brand plan. See Appendix 1 for a sample marketing plan. A **marketing strategy** consists of specific strategies: target markets, positioning, the marketing mix, and marketing expenditure levels.	p. 57 Table 2.2: Contents of a Marketing Plan
p. 56 PPT 2-33 p. 58	**Marketing Implementation** **Marketing implementation** is the process that turns marketing plans into marketing actions in order to accomplish strategic marketing objectives. Implementation involves day-to-day, month-to-month activities that effectively put the marketing plan to work. Implementation addresses the *who, where, when*, and *how*. In an increasingly connected world, people at all levels of the marketing system must work together to implement marketing strategies and plans. Successful marketing implementation depends on how well the company blends its people, organizational structure, decision and reward systems, and company culture into a cohesive action program that supports its strategies. **Marketing Department Organization** The company must design a marketing organization that can carry out marketing strategies and plans.	p. 56 Key Term: Marketing implementation

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	The most common form of marketing organization is the *functional organization.* Under this organization, functional specialists head the various marketing activities. A company that sells across the country or internationally often uses a *geographic organization.* Companies with many different products or brands often create a *product management organization.* A **product manager** develops and implements a complete strategy and marketing program for a specific product or brand. For companies that sell one product line to many different types of markets and customers that have different needs and preferences, a *market* or *customer management organization* might be best. A market management organization is similar to a product management organization. Marketing managers are responsible for developing marketing strategies and plans for their specific markets or 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. Many companies are finding that today's marketing environment calls for less focus on products, brands, and territories and more attention on customers and customer relationships. More and more companies are shifting their brand management focus toward customer management. **Marketing Control**	p. 58 Photo: Marketing Planning and Control
p. 58	**Marketing control** involves evaluating the results of marketing strategies and plans and taking corrective action to ensure that objectives are attained. *Operating control* involves checking ongoing performance against the annual plan and taking corrective action when	p. 58 Key Term: Marketing control

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	necessary. Its purpose is to ensure that the company achieves the sales, profits, and goals set out in its annual plan. *Strategic control* involves determining if the company's basic strategies are well matched to its opportunities. Marketing strategies and programs can quickly become outdated, and each company should periodically reassess its overall approach to the marketplace. **MEASURING AND MANAGING MARKETING RETURN ON INVESTMENT**	
p. 59	Marketing managers must ensure that their marketing dollars are being well spent. In the past, many marketers spent freely on expensive programs, often without considering financial return on spending. In today's constrained economy, that is changing. In response, marketers are using marketing performance measures such as **marketing return on investment (marketing ROI)**—the net return from a marketing investment divided by the costs of the marketing investment.	
p. 59 PPT 2-34		p. 59 Key Term: Marketing return on investment (marketing ROI)
	A company can assess return on marketing in terms of standard marketing performance measures, such as brand awareness, sales, or market share.	
p. 59 PPT 2-35	Some companies are combining such measures into *marketing dashboards*—useful sets of marketing performance measures in a single display.	p. 60 Figure 2.8: Marketing Return on Investment
	Increasingly marketers are using customer-centered measures of marketing impact, such as customer acquisition, customer retention, customer lifetime value, and customer equity. **Review Learning Objective 5:** List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.	
	➢ **Assignments, Resources** Use *Discussion Question 2-5* here	

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	Use *Marketing by the Numbers* here Use *Think-Pair-Share 3* here Use *Company Case* here Use *Video Case* here	

END OF CHAPTER MATERIAL

Discussion Questions

2-1 Define *strategic planning* and briefly describe the four steps that lead managers and the firm through the strategic planning process. Discuss the role marketing places in this process. (Objective 1) (AACSB: Communication).

Answer:

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

✪ 2-2 Name and define the four product/market growth strategies in the product/market expansion grid. Provide an example of a company implementing each strategy. (AACSB: Communication; Reflective Thinking)

Answer: Student answers will vary based on their personal response. Refer to the MyLab for an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

2-3 Describe the differences between a value chain and a value delivery network. (AACSB: Communication; Reflective Thinking)

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Answer:

Each company department can be thought of as a link in the company's internal **value chain**. That is, each department carries out value-creating activities to design, produce, market, deliver, and support the firm's products. The firm's success depends not only on how well each department performs its work but also on how well the various departments coordinate their activities. More companies today are partnering with other members of the supply chain— suppliers, distributors, and, ultimately, customers—to improve the performance of the customer **value delivery network**. Competition no longer takes place only between individual competitors. Rather, it takes place between the entire value delivery network created by these competitors.

✪ 2-4 Discuss the elements of the integrated marketing mix. Explain how marketers use these tools to position products and services. (AACSB: Communication; Reflective Thinking)

Answer: Student answers will vary based on their personal response. Refer to the MyLab or an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

2-5 Why must marketers practice marketing control, and how is it done? (AACSB: Communication)

Answer:

Because many surprises occur during the implementation of marketing strategies and plans, marketers must practice constant **marketing control**—evaluating results 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

2-6 As a student you have individual experiences with your college or university. These may include managing the application process, enrolling, orientation, choosing a major, setting schedules, and many more. Conduct a SWOT analysis for your school from your perspective. Discuss how your SWOT analysis would provide strategic insight for future decisions at your college or university. (AACSB: Communication; Reflective Thinking)

Answer:

Students' analyses and recommendations will vary, but they should be aware of the elements of a marketing plan. A **SWOT analysis** evaluates an organization's overall

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

Students may examine program and course offerings, scheduling options, campus facilities, tutoring services, faculty availability, student life, off-campus activities, economic variables, cost and financial support, competition, etc.

Colleges and universities benefit from understanding how their student populations value what they offer. Students' perceptions of the value they receive have a direct impact on enrollment, retention, and, ultimately, revenue.

Objectives should logically follow conclusions from the SWOT analysis, and the strategy recommended should support the objectives. The marketing strategy should identify the target market(s), positioning, and the marketing mix (product, price, place, and promotion).

✪ 2-7 Examine Starbucks and determine how its marketers have positioned the company relative to the competition. How has Starbucks used differentiation to create customer value? (AACSB: Communication)

Answer: Student answers will vary based on their personal response. Refer to the MyLab for an opportunity to assign this question, and all starred MyLab questions, to a student discussion board.

2-8 Create a mission statement for a nonprofit organization you would be interested in starting. Have another student evaluate your mission statement while you evaluate the other student's statement, suggesting areas of improvement. (AACSB: Communication; Reflective Thinking)

Answer:

Some organizations define their missions myopically in product or technology terms, but mission statements should be *market oriented* and defined in terms of satisfying basic customer needs—even for non-profit organizations. For example, a nonprofit organization might be a house that offers emergency shelter for people in need, but defining its mission as a house could be too narrow. Perhaps the organization can also provide funds to pay for a hotel room for someone in need, thus defining its mission as providing shelter is broader than providing a house for people to stay in emergencies. Mission statements should be *meaningful and specific yet motivating*. Too often, mission statements are written for public relations purposes and lack specific, workable

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guidelines. Instead, they should emphasize the company's strengths and tell forcefully how it intends to succeed. Finally, an organization's mission should focus on customers and the customer experience the organization seeks to create.

APPLICATIONS AND CASES

Online, Mobile, and Social Media Marketing: Google's (Alphabet's) Mission

Founded in 1998 as an Internet search engine, Google's mission statement remains the same to this day: to "organize the world's information and make it universally accessible and useful." Google is certainly successful, with revenues growing from $3.2 billion in 2002 to $74.5 billion in 2015, 90 percent of which comes from advertisers. Google is expanding rapidly into other areas well beyond its search engine, such as self-driving cars, smart contact lenses that measure a person's blood sugar levels, Internet-bearing balloons to create Internet hotspots anywhere on earth, and even magnetic nanoparticles to search for disease within the human bloodstream. In fact, Google has innovated into so many diverse new ventures that it recently created a broader organization—a parent holding company called Alphabet—to contain them all. Google/Alphabet has been on a buying frenzy recently, purchasing security, biotech, and robotic companies in a quest to capitalize on the Internet of Things (IoT) phenomenon. Experts predict there will be 25 million connected devices in our homes and workplaces by 2020. Google recently announced its new IoT operating system, dubbed Brillo (after the Brillo scrubbing pad because it is a scrubbed-down version of its Android operating system), targeted to developers of smart products connected to the Internet, such as ovens, thermostats, and even toothbrushes. It's also developed Weave, the corresponding IoT language that will allow smart products to speak to each other. Perhaps one day you will be sitting in your Google/Alphabet self-driving car, streaming the news, checking your blood sugar, and cooling your home by turning down your thermostat on the way home from work.

2-9 Conduct research on Google/Alphabet to learn more about its products and services. Some say the time has come for Google to create a new mission statement. Do you agree? Explain. (AACSB: Communication; Reflective Thinking)

Answer:

For a list of Google's current products, see www.google.com/about/products/. Another source lists Google's products as well as discontinued products: http://en.wikipedia.org/wiki/List_of_Google_products. A list of Google's mergers and acquisitions since 2001 can help students see the direction the company might be heading: http://en.wikipedia.org/wiki/List_of_mergers_and_acquisitions_by_Google. For more on Alphabet, see https://abc.xyz/ and Mike Nudelman, "Google's Parent Company, Alphabet, Explained in One Chart," *Business Insider,* January 12, 2016, www.businessinsider.com/chart-of-alphabet-google-parent-company-infographic-x-gv-2016-1?r=UK&IR=T

Students could argue that even though Google's/Alphabet's products have expanded to tangible products, the focus is still on making information useful. For example, self-

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driving cars rely on organizing information from the Internet (such as Google Maps) and sensors around the car to make it accessible and usable to perform its function. Therefore, Google is still organizing information and making it useful. However, in setting up Alphabet, the company seems to realize that many of its major projects no longer fit under the old Google umbrella. If Google doesn't need a new mission statement, perhaps Alphabet does.

2-10 Create a new mission statement for Google/Alphabet that will take it through the rest of this century. (AACSB: Communication; Reflective Thinking)

Answer:

Student answers will vary. However, this is an opportunity for the students to review all the directions in which Google/Alphabet may devote resources in the future. A new mission statement will need to account for the current structure of the company and its products, as well as be appropriate as the company moves forward with new products. Perhaps instead of organizing the world's information, the company's mission could focus more on harnessing information to make the world a better place. Or, perhaps students will create an entirely new mission statement for Alphabet.

Marketing Ethics: Creating Value or Distracting Consumers?

In early 2014, Chipotle Mexican Grill announced that it would stop using genetically modified ingredients (GMOs) in its restaurants. Many observers applauded this move. However, critics of the fast-food chain cited a lack of evidence to support its anti-GMO stance. They suspected that Chipotle's anti-GMO claim was simply a ploy to distract consumers from a larger issue: the company's risky sanitation practices. Chipotle's anti-GMO policies may have won the burrito chain some health-conscious customers, but at the same time customers were becoming sick after eating at some Chipotle locations, calling into question the firm's food handling and safety practices.

Steve Ells, founder and co-CEO of Chipotle, said the GMO decision was "another step toward the visions we have of changing the way people think about and eat fast food. Just because food is served fast doesn't mean it has to be made with cheap raw ingredients, highly processed with preservatives and fillers and stabilizers and artificial colors and flavors." However, ridding Chipotle's supply chain of genetically altered components proved difficult. The chain discovered GMOs in basic ingredients such as baking powder, cornstarch, canola and soy oils, cornmeal, and sugar. And many non-GMO ingredients were in short supply. For example, at one point, Chipotle found that it could not supply all its locations with enough non-GMO pork to make carnitas. Given the supply chain challenges, Chipotle decided to use non-GMO products in its food preparation but to continue to serve some soft drinks with sweeteners derived from genetically engineered corn.

2-11 Has Chipotle's focus on eliminating GMOs created value for its customers? Defend this market strategy. (AACSB: Communication; Ethical Reasoning)

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Answer:

Students' responses will vary, but they should discuss ways Chipotle impacted its value delivery network, including suppliers, distributors, and customers. Chipotle is trying to deliver the healthiest product to health-conscious consumers. Avoiding GMOs is one strategy to meet the customer needs and wants, thus creating value.

Under a company-wide strategic plan, marketing must work closely with other departments to form an effective internal company value chain and with other companies in the marketing system to create an external value delivery network that jointly serves customers. Chipotle's decision to source non-GMO food products includes both internal and external value delivery partnerships.

Students may access the *New York Times* article for additional information www.nytimes.com/2015/04/27/business/chipotle-to-stop-serving-genetically-altered-food.html?r=1

2-12 From an ethics standpoint, discuss Chipotle's focus on sourcing non-GMO food products versus attention to food safety. The company's oversights in food safety resulted in numerous customers becoming ill (E. coli, norovirus, and salmonella). Discuss the challenges Chipotle faces in overcoming the negative image that resulted. (AACSB: Communication; Reflective Thinking; Ethical Reasoning)

Answer:

Chipotle's focus was on its health-conscious consumers, specifically those who have concerns about genetically modified foods. Although this is a valid target for the company, the good of the masses must never be ignored. In the food service industry, it is critically important to monitor and train employees in all safe-handling practices.

Chipotle's sales were negatively impacted after directly being linked to several food-borne illnesses. Its stock price dropped more than 22 percent as a result. Some analysts even speculated that the company would not be able to recover from this crisis. Marketers are challenged with creating and communicating a message to rebuild the trust of customers, investors, and suppliers. This may need to be done at a slow, steady pace to win back stakeholders.

Marketing by the Numbers: Apple vs. Microsoft

In 2014, Apple reported profits of more than $50 billion on sales of $182 billion. For that same period, Microsoft posted a profit of almost $30 billion on sales of $88 billion. So Apple is a better marketer, right? Sales and profits provide information to compare the profitability of these two competitors, but between these numbers is information regarding the efficiency of marketing efforts in creating those sales and profits. Appendix 2, Marketing by the Numbers, discusses other marketing profitability measures beyond the return on marketing investment (marketing ROI) measure described in this chapter. Review the Appendix to

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answer the questions using the following information from the two companies' incomes statements (all numbers are in thousands):

	Apple	**Microsoft**
Sales	$182,795,000	$86,833,000
Gross Profit	$ 70,537,000	$59,899,000
Marketing Expenses	$ 8,994,750	$15,474,000
Net Income (Profit)	$ 52,503,000	$27,759,000

2-13 Calculate profit margin, net marketing contribution, marketing return on sales (or marketing ROS), and marketing return on investment (or marketing ROI) for both companies. Which company is performing better? (AACSB: Communication; Use of IT; Analytic Thinking)

Answer:

$$\text{Profit Margin} = \frac{\text{Profit}}{\text{Net sales}}$$

$$\text{Profit Margin}_{\text{Apple}} = \frac{\$52{,}503{,}000}{\$182{,}795{,}000} = 0.2872 = 28.72\%$$

$$\text{Profit Margin}_{\text{Microsoft}} = \frac{\$27{,}759{,}000}{\$86{,}833{,}000} = 0.3197 = 31.97\%$$

Net Marketing Contribution (NMC) = net sales – cost of goods sold – marketing expenses

Because Gross Profit = net sales – cost of goods sold, students just need to subtract marketing expenses from gross profit:

$\text{NMC}_{\text{Apple}}$ = $70,537,000 – $8,994,750 = $61,542,250

$\text{NMC}_{\text{Microsoft}}$ = $59,899,000 – $15,474,000 = $44,425,000

$$\text{Marketing ROS} = \frac{\text{net marketing contribution}}{\text{net sales}}$$

$$\text{Marketing ROS}_{\text{Apple}} = \frac{\$61{,}542{,}250}{\$182{,}795{,}000} = 0.3367 = 33.67\%$$

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$$\text{Marketing ROS}_{\text{Microsoft}} = \frac{\$44{,}425{,}000}{\$86{,}833{,}000} = 0.5116 = 51.16\%$$

$$\text{Marketing ROI} = \frac{\text{net marketing contribution}}{\text{marketing expenses}}$$

$$\text{Marketing ROI}_{\text{Apple}} = \frac{\$61{,}542{,}250}{\$8{,}994{,}750} = 6.8420 = 684.20\%$$

$$\text{Marketing ROI}_{\text{Microsoft}} = \frac{\$44{,}425{,}000}{\$15{,}474{,}000} = 2.8709 = 287.09\%$$

While Apple has larger absolute sales, gross profits, expenses, net marketing contribution, profits, and marketing ROI, Microsoft is performing more efficiently as measured by the profit margin and marketing metric of marketing ROS. However, Apple is performing significantly better on marketing ROI, which means Microsoft is not getting as great of a marketing return, although it is still very good, for the investment it has made in marketing compared to Apple.

2-14 Go to Yahoo! Finance (http://finance.yahoo.com/) and find the income statements for two other competing companies. Perform the same analysis for these companies that you performed in the previous question. Which company is doing better overall and with respect to marketing? For marketing expenses, use 75 percent of the company's reported "Selling General and Administrative" expenses. (AACSB: Communication; Analytic Reasoning; Reflective Thinking)

Answer:

Students' answers will vary. The information used in the previous question can be found at:

Apple - http://finance.yahoo.com/q/is?s=AAPL+Income+Statement&annual

Microsoft - http://finance.yahoo.com/q/is?s=MSFT+Income+Statement&annual

The information students need is: Total Revenue, Gross Profit, Selling General and Administrative (use 75% to calculate the marketing expenses for the NMC calculation), and Net Income.

Company Case Notes

Facebook: Making the World More Open and Connected

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Synopsis

As the world has rapidly adopted social media, Facebook dominates the market. In little more than a decade, it has accumulated more than 1.6 billion active monthly users—more than 20 percent of the world's total population—and some 1.5 billion people now access the network on a mobile device. More than one billion Facebook members log on daily and five new Facebook profiles are created every second. In the United States, more collective time is spent on Facebook than on any other website. Hordes of people have made Facebook their digital home 24/7. Having achieved such phenomenal impact in such a short period of time, Facebook's success can be attributed to tenacious focus on its mission—"to give people the power to share and make the world more open and connected."

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

2-18 Is Facebook's mission statement market oriented? Explain.

A market-oriented mission statement is defined in terms of satisfying customer needs. Facebook's mission statement is: "to give people the power to share and make the world more open and connected." The "power to share" and "open and connected" parts specify customer needs. The fact that the mission statement starts with "to give people" suggests a strong customer orientation. Therefore, Facebook's mission statement is clearly a market-oriented mission statement.

2-19 How is Facebook's strategy driven by its mission?

Basically, everything that Facebook has done adheres to the mission of giving people the power to share and making the world more open and connected. Internal features like News Feed, picture and video posts, and endless settings that allow for the customization of a person's network are designed to enable individual users to quickly and easily share their lives with others. The part about making the world more open and connected is evident in Facebook's portfolio of products. When Facebook realized that its original "one site for all" approach could not serve the needs of everyone, it adapted and developed a portfolio of multiple apps that provides something for any and every individual. Facebook, Facebook Mobile, Instagram, and WhatsApp (even though Facebook already had Messenger) are all fulfillments of its strategy to reach everyone, even if it means doubling up on competing products. The Aquila project that aims to

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make the Internet available to developing countries demonstrates a fulfillment of its "power to share" objective.

2-20 Is it wise for Facebook to give away it technologies for free? Why or why not?

Different companies have taken different approaches to the "giving it away for free" part and done so successfully. Apple is notorious for guarding its technologies and making them proprietary. In its early years, this hindered its growth. But looking at where Apple is today, that approach has clearly served it well. Facebook has taken a different approach. From its beginning, Facebook wanted its platform(s) to be adopted and used by as many people as possible as quickly as possible. The only way to achieve that is to make it free. Now, it has taken the same approach to releasing core technologies such as all that it has developed for drones, lasers, data analytics, virtual reality, and 3D. Facebook recognizes that its best chance at success is to focus on making its portfolio of products as usable and attractive and available to as many people as possible. When it does that, its primary revenue generator (advertising) generates more and more revenue. "We're not selling [servers] or cameras or connectivity services. But if no one else is building them, we're going to." The "giving it away" approach is also a tremendous competitive tactic. If Facebook is giving things away, it makes it very difficult for other companies to make money on those same types of things.

2-21 As it moves forward in fulfilling its mission, what challenges does Facebook face in the future?

Facebook has had more failures of products and features than it has had successes. While product failure is a challenge, Facebook sees such failures as just another part of building the greatest social network on the planet. It isn't that which fails, but what ultimately becomes an integrated part of a very usable tool.

Likely Facebook's greatest challenge is to avoid the "MySpace" syndrome. That is, the nature of a social network product is such that users can abandon it as quickly as they adopt it. Everyone was on MySpace. But almost overnight, nobody was on MySpace. Facebook has been careful to prevent this thus far. When Facebook bought Instagram, that was its first clear signal that it wasn't going to stick with "one thing" and try to force it on everyone. But as Facebook has made it easier and easier for customers to use its products, they become deeply engrained in them. For many, Facebook is where they store and share their lives. It isn't so easy to switch away from that.

Teaching Suggestions

The only way to really demonstrate the power of Facebook is to take students right inside that social network that they are all too familiar with. The goal here is to guide them in a way that will give them a different perspective. To do this, take them inside your own Facebook page. If this is not possible, prepare ahead of time by asking for a student volunteer to serve as the tour guide of their own Facebook page. Then ask the following questions to guide the discussion:

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1. How many of you are on Facebook? How many of you check in to it at least a few times a week? Daily? Why?

2. How is Facebook valuable to marketers?

This case was developed for use with Chapter 2. This case also works well with the new products chapter (Chapter 9), the advertising chapter (Chapter 15), and the digital marketing chapter (Chapter 17).

Go to **mymktlab.com** for the answers to the following Assisted-graded writing questions:

2-22 How are marketing departments organized? Which organization is best?

2-23 Explain the roles of market segmentation, market targeting, differentiation, and positioning in implementing an effective marketing strategy.

ADDITIONAL PROJECTS, ASSIGNMENTS, AND EXAMPLES

Projects

1. Pick a company or brand from which you buy frequently. Visit their Web site and find the portfolio of products/services they sell. Pretend you are the company CEO. Categorize the products into logical groupings that will become your strategic business units (SBUs). Using your best judgment, allocate resources, using percentages, not dollar amounts, to each SBU (make sure the total comes to 100 percent). (Objective 2)
2. Visit the Web site for Food Television's Rachel Ray (http://www.rachaelray.com/). Consider the market for television cooking programs. Who do you believe Rachel Ray is targeting? How is this "product" differentiated in the marketplace? (Objective 4)
3. Get the current issue of *Fortune* magazine; most college libraries carry it. Read the cover story and define the four Ps of one of the company's products mentioned. Then define the four Cs of the same product. Are there differences? (Objective 4)

Small Group Assignments

1. Form students into groups of three to five. Each group should read the opening vignette to the chapter on Starbucks. Each group should answer the following questions and then share their findings with the class. (Objective 1)
    a. Define Starbucks's niche in the coffeehouse marketplace, both in its early days and today.
    b. Discuss the factors that caused Starbucks's sales to stumble in the mid-to-late 2000s. If you were the CEO at the time, how would you have reversed this trend?

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c. What comes next for Starbucks in the 21st century? What new marketing strategies might the company develop to remain fresh and relevant?

2. Form students into groups of three to five. Each group should read Real Marketing 2.2 "DuckDuckGo: Google's Tiniest, Fiercest Competitor". Each group should then answer the following questions and share their findings with the class. (Objective 2)
    a. Identify DuckDuckGo's marketing strategy as it fits into market segmentation, targeting, positioning, and differentiation, as shown in Figure 2.4, Managing Marketing Strategies and the Marketing Mix.
    b. How has DuckDuckGo been able to compete in an industry that is dominated by behemoths such as Google and Bing?

Individual Assignments

1. Read the opening chapter vignette on Starbucks. Think about the answers to the following questions and share your answers with the class. (Objectives 1 and 4)
    a. Recap the main points of Starbucks's Customer-Driven Marketing. How does it reflect the elements of a customer-driven marketing strategy?
    b. In your mind, who was the typical Starbucks customer in the company's early days of the 1980s? Who is the typical customer today?
    c. If Starbucks were simply a coffee and beverage company, how would you describe the company's direction and product offering today?

2. How would you describe a "market niche"? Describe four product/services that you own or consume that you would consider to be "niche" products. Why do you believe this to be true? (Objective 2)

Think-Pair-Share

Consider the following questions, formulate an answer, pair with the student on your right, share your thoughts with one another, and respond to questions from the instructor.

1. Compare the Boston Consulting Group's portfolio analysis method to the product/market expansion grid. Which method would you rather use in your own business? Why? (Objective 2)
2. Why would a focus on the four Cs be more important than the four Ps? What is a value-delivery network? How does this concept differ from that of the value chain? (Objective 4)
3. Explain the concept of return on marketing. Why is this important? (Objective 5)

Outside Examples

1. The marketing mix is the set of controllable, tactical marketing tools the firm blends to produce the responses it wants from the target market. These marketing tools can all be collected into four sets of variables known as the "four Ps." Consider

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Southwest Airlines (www.southwest.com). Briefly describe the "four Ps" employed by Southwest. (Objective 4)

Possible Solution:

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

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

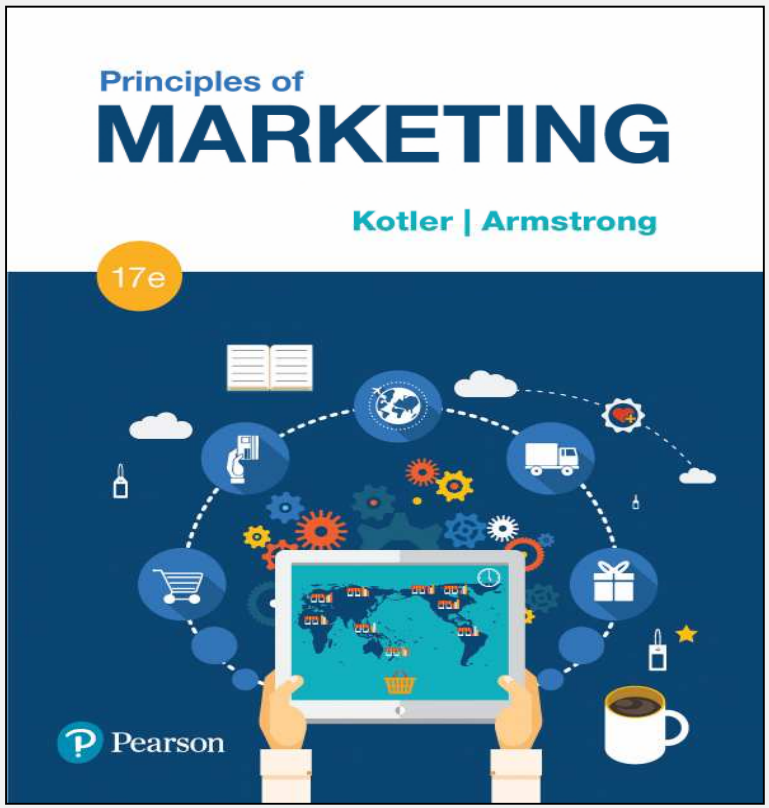
   Possible Solution:

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

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Principles of Marketing
Seventeenth Edition



Chapter 2

Partnering to Build Customer Engagement, Value, and Relationships

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Learning Objectives

2-1 Explain company-wide strategic planning and its four steps.

2-2 Discuss how to design business portfolios and develop growth strategies.

2-3 Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.

2-4 Describe the elements of a customer value-driven marketing strategy and mix, and the forces that influence it.

2-5 List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.

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Learning Objective 1

Explain company-wide strategic planning and its four steps.

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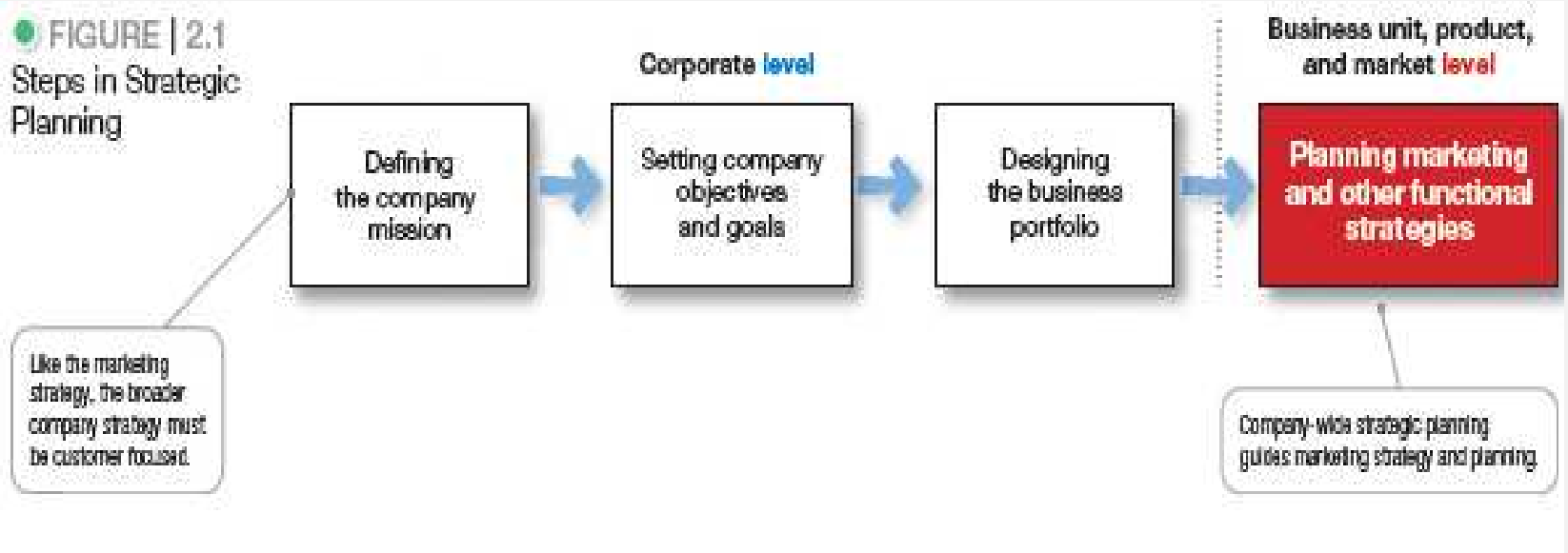
Company-Wide Strategic Planning (1 of 3)

Strategic planning is the process of developing and maintaining a strategic fit between the organization's goals and capabilities, and its changing marketing opportunities.

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Company-Wide Strategic Planning



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Company-Wide Strategic Planning

The **mission statement** is the organization's purpose; what it wants to accomplish in the larger environment.



CVS Health's overall mission is to be a "pharmacy innovation company," one that is "helping people on their way to better health." Its marketing strategies and programs must support this mission.

CVS Caremark Corporation

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Company-Wide Strategic Planning

Setting Company Objectives and Goals

Business objectives	Marketing objectives
• Build profitable customer relationships • Invest in research • Improve profits	• Increase market share • Create local partnerships • Increase promotion

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Learning Objective 2

Discuss how to design business portfolios and develop growth strategies.

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Designing The Business Portfolio

The business portfolio is the collection of businesses and products that make up the company.

Portfolio analysis is a major activity in strategic planning whereby management evaluates the products and businesses that make up the company.



ESPN is much more than just a haphazard collection of media entities. It's a skillfully managed brand portfolio that delivers an immersive sports entertainment experience, inexorably linked with customers' sports memories, realities, and anticipations.

Mike Windle/Stringer/Getty Images

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Designing The Business Portfolio

Strategic business units can be a

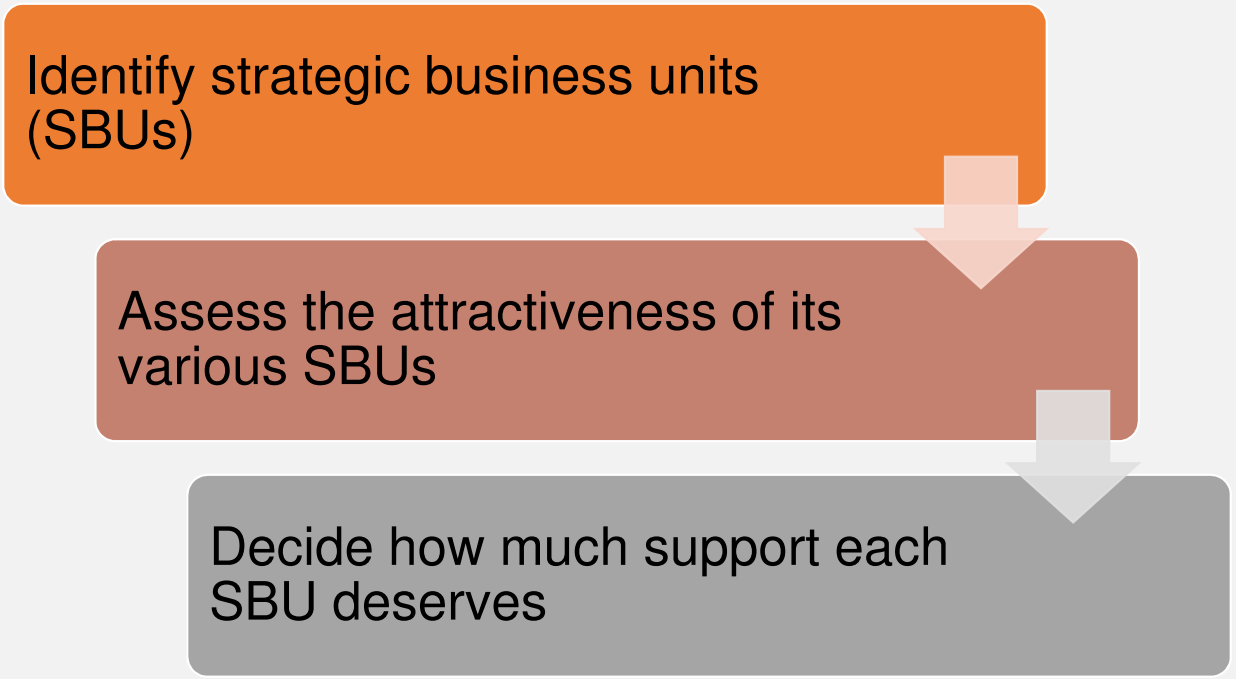
- Company division
- Product line within a division
- Single product or brand

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Designing The Business Portfolio

Analyzing The Current Business Portfolio



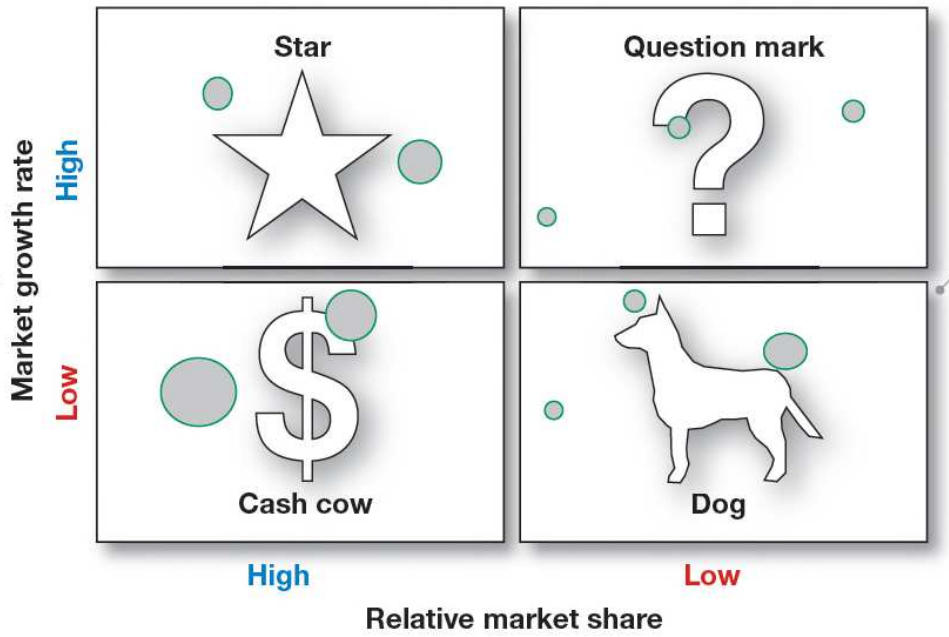
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Designing The Business Portfolio

FIGURE | 2.2
The BCG Growth-Share Matrix

Under the classic BCG portfolio planning approach, the company invests funds from mature, successful products and businesses (cash cows) to support promising products and businesses in faster-growing markets (stars and question marks), hoping to turn them into future cash cows.



The company must decide how much it will invest in each product or business (SBU). For each SBU, it must decide whether to build, hold, harvest, or divest.

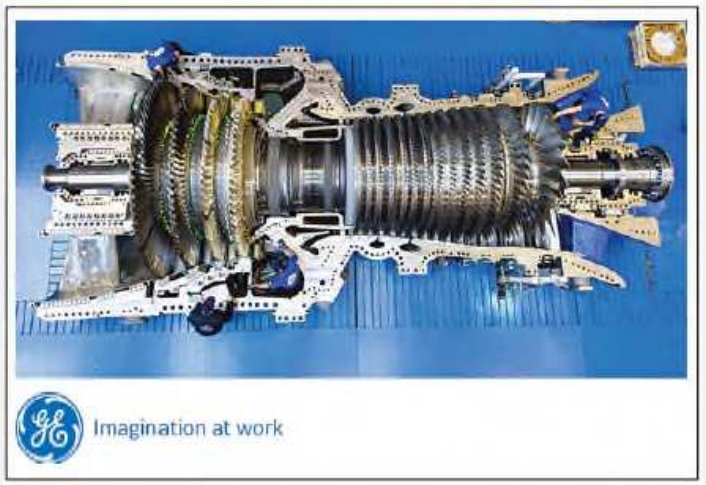
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Designing The Business Portfolio

Problems with Matrix Approaches

- Difficulty in defining SBUs and measuring market share and growth
- Time consuming
- Expensive
- Focus on current businesses, not future planning



Managing the business portfolio: Managing GE's broad portfolio of businesses and its mission to "invent the next digital industrial era, to build, move, power, and cure the world" requires plenty of skill and lots of GE's famous "Imagination at work." This huge GE turbine weighs as much as a fully loaded Boeing 747 and can generate the power needed to supply more than 680,000 homes.

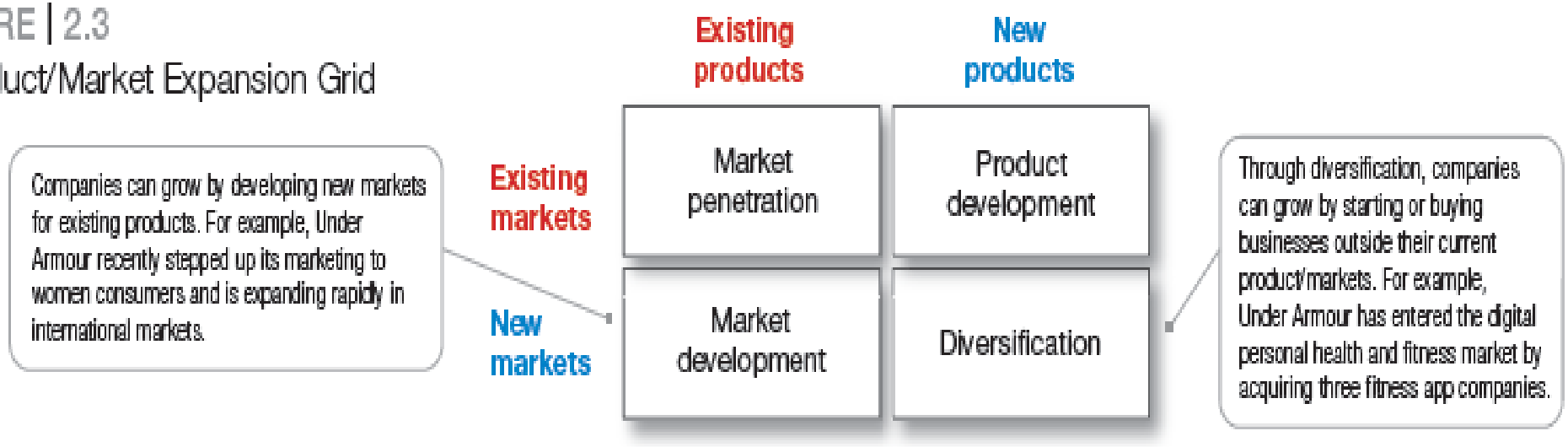
GE

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Designing The Business Portfolio

FIGURE | 2.3
The Product/Market Expansion Grid



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Designing The Business Portfolio

Developing Strategies for Growth and Downsizing



Strategies for growth: Under Armour has grown at a blistering rate under ts multipronged growth strategy. In recent years, the brand has stepped ıp its marketing to women, as in its highly acclaimed "I Will" advertising :ampaign.
INDER ARMOUR, INC.

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Designing The Business Portfolio

Developing Strategies for Growth and Downsizing

Downsizing is when a company must prune, harvest, or divest businesses that are unprofitable or that no longer fit the strategy.

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Learning Objective 3

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

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Planning Marketing: Partnering to Build Customer Relationships (1 of 3)

Partnering with Other Company Departments

Value chain is a series of departments that carry out value creating activities to design, produce, market, deliver, and support a firm's products.

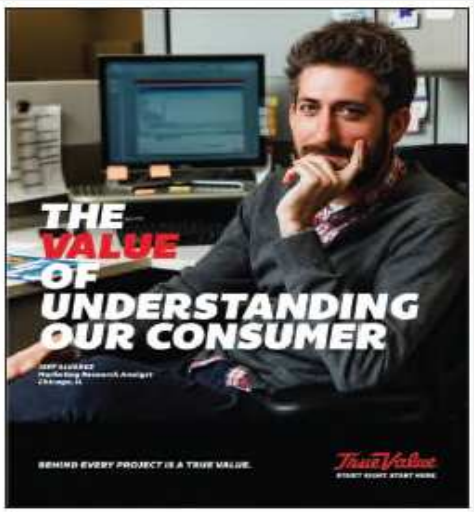
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Planning Marketing: Partnering to Build Customer Relationships (2 of 3)

Partnering with Other Company Departments





The value chain: These True Value ads recognize that everyone in the organization—from marketing research analyst Jeff Alvarez to operations manager Tom Statham—must contribute to helping the chain's customers handle their home improvement projects. They form the foundation for the brand's "Behind Every Project Is a True Value" positioning.

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Planning Marketing: Partnering to Build Customer Relationships (3 of 3)

Partnering with Others in the Marketing System

Value delivery network is made up of the company, suppliers, distributors, and ultimately customers who partner with each other to improve performance of the entire system.

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Learning Objective 4

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

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Marketing Strategy and the Marketing Mix

FIGURE | 2.4
Managing Marketing Strategies and the Marketing Mix



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Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Marketing strategy is the marketing logic by which the company hopes to create customer value and achieve profitable customer relationships.

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Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Market segmentation is the division of a market into distinct groups of buyers who have different needs, characteristics, or behaviors and who might require separate products or marketing mixes.

Market segment is a group of consumers who respond in a similar way to a given set of marketing efforts.

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Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Market targeting is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

Market positioning is the arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

Differentiation begins the positioning process.

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Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Positioning: Southwest's positioning as "The LUV Airline" is reinforced by the colorful heart in its new logo and plane redesign. Southwest has "always put Heart in everything it does."



Positioning: Southwest's positioning as "The LUV Airline" is reinforced by the colorful heart in its new logo and plane redesign. Southwest has "always put Heart in everything it does."
Southwest Airlines Co.

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Marketing Strategy and the Marketing Mix

Developing an Integrated Marketing Mix

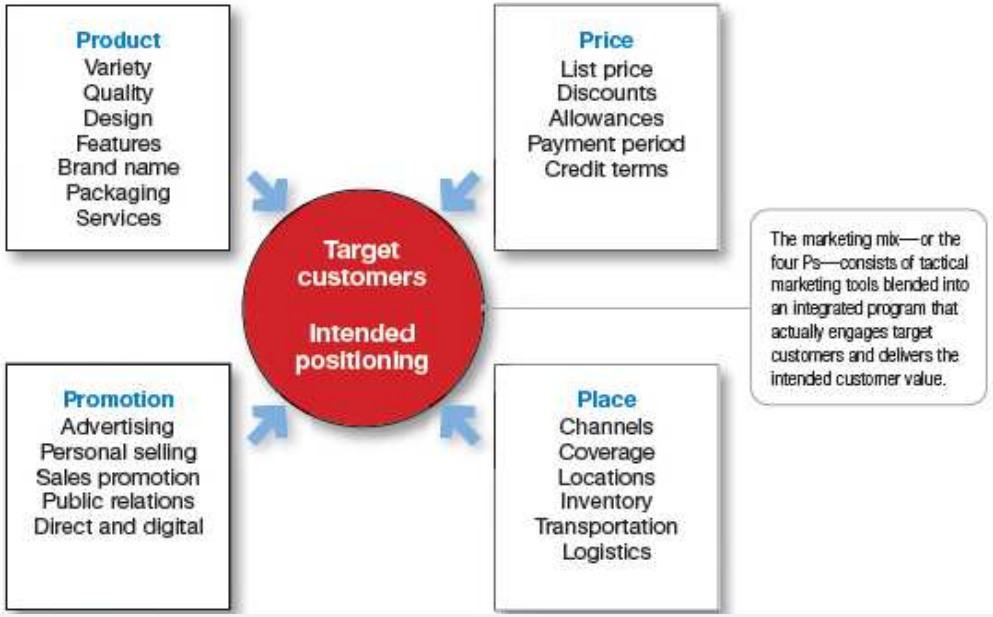
Marketing mix is the set of controllable, tactical marketing tools—product, price, place, and promotion—that the firm blends to produce the response it wants in the target market.

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Marketing Strategy and the Marketing Mix

FIGURE | 2.5
The Four Ps of the Marketing Mix



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Learning Objective 5

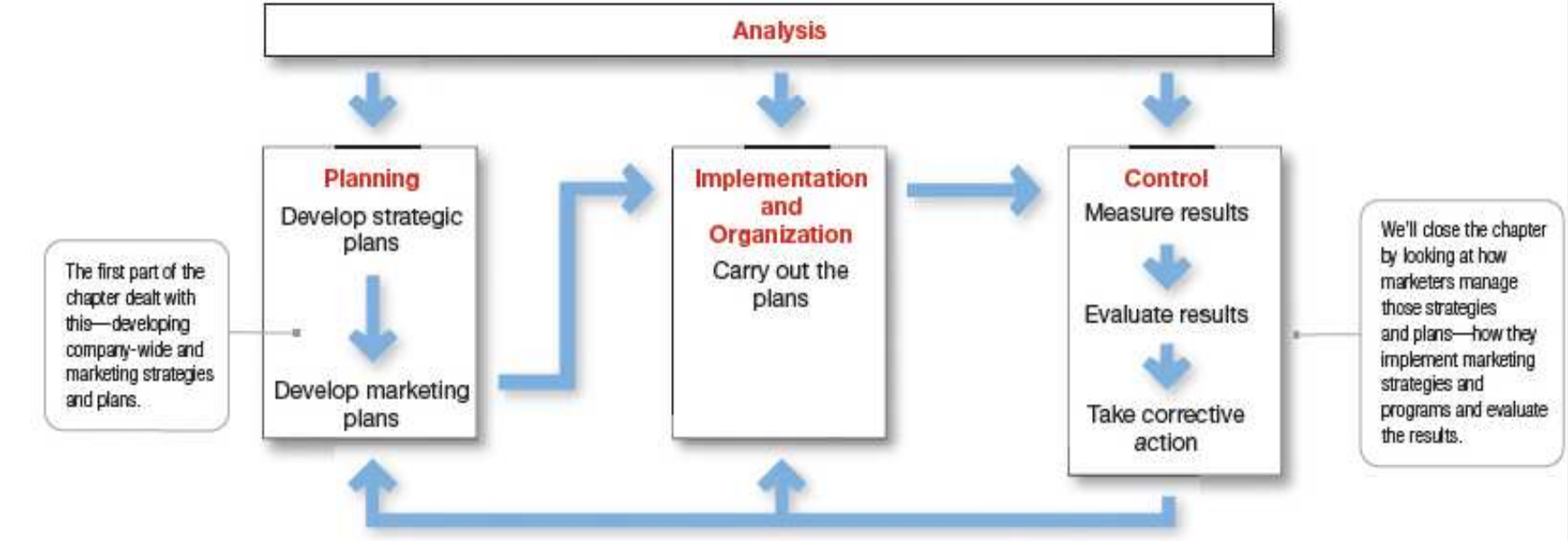
List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.

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Managing the Marketing Effort

Figure 2.6 Analysis, Planning, Implementation, and Control

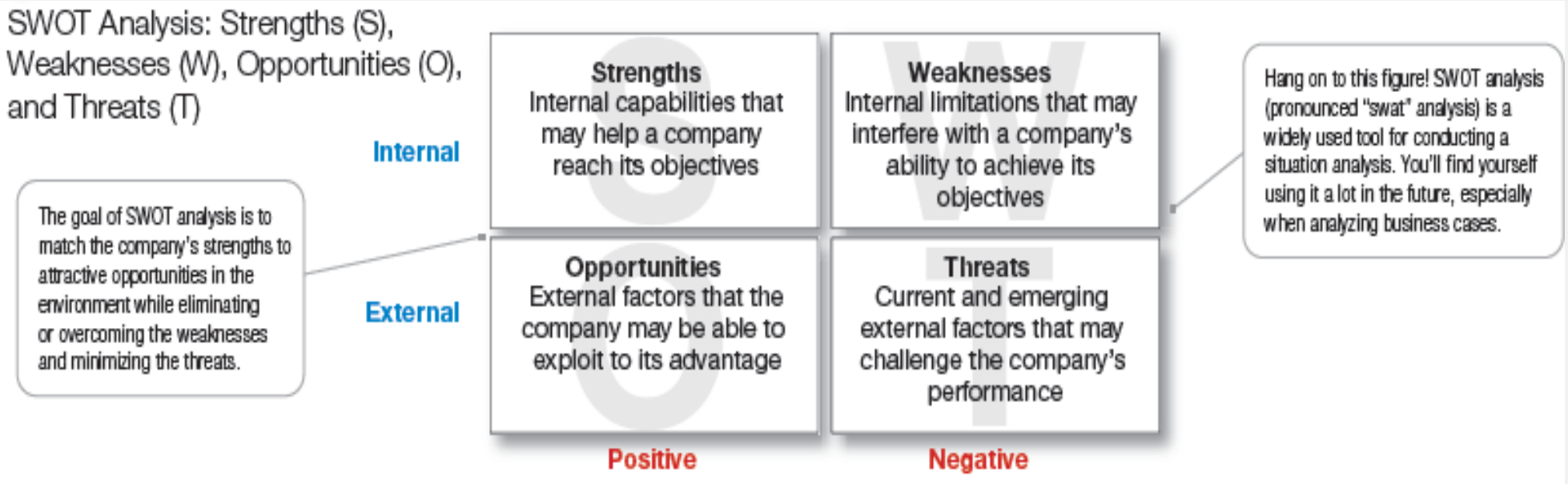


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Managing the Marketing Effort

Figure 2.7 Marketing Analysis: SWOT Analysis



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Managing the Marketing Effort

Market Planning—Parts of a Marketing Plan



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Managing the Marketing Effort

Marketing Implementation

- Turning marketing strategies and plans into marketing actions to accomplish strategic marketing objectives
- Addresses who, where, when, and how

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Measuring and Managing Return on Marketing Investment

Return on Marketing Investment (Marketing ROI)

- **Net return** from a marketing investment divided by the costs of the marketing investment
- Measurement of the **profits generated** by investments in marketing activities

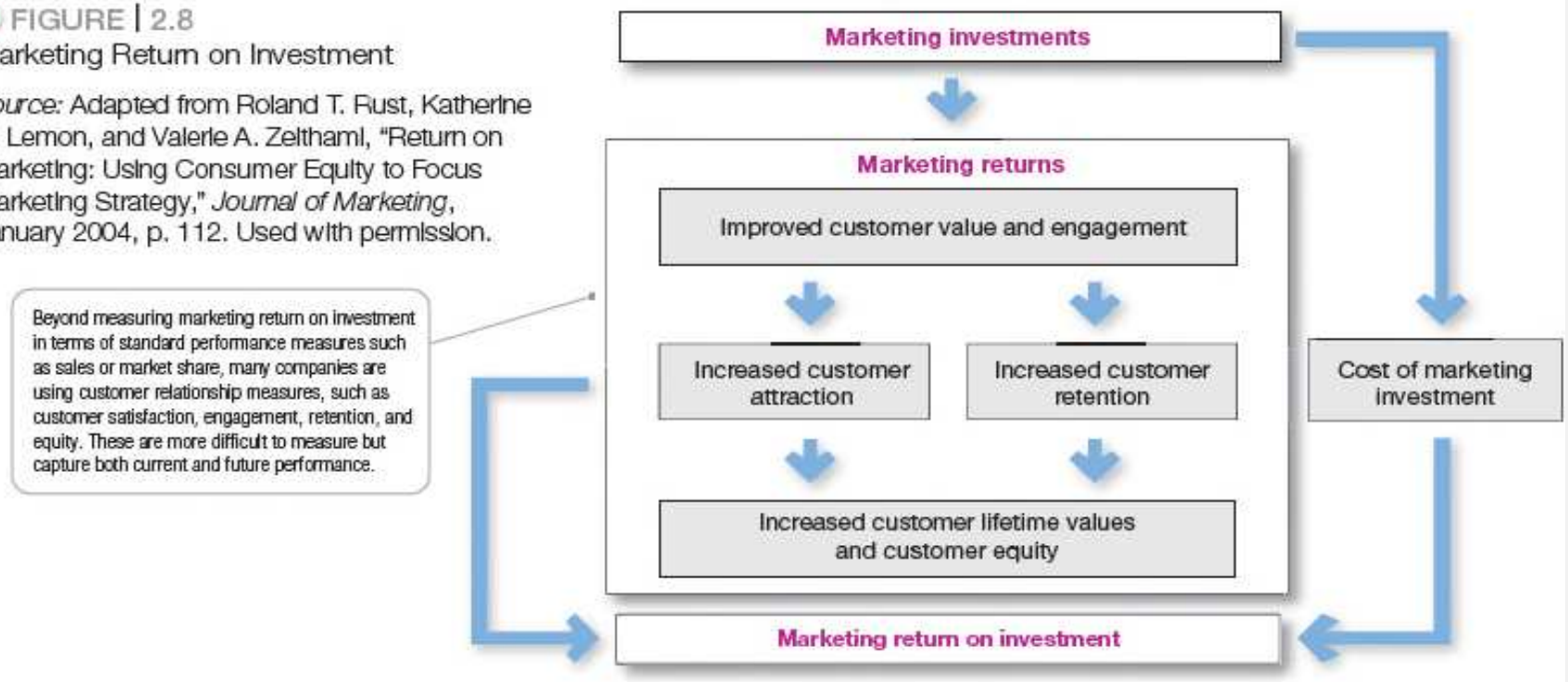
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Measuring and Managing Return on Marketing Investment

FIGURE | 2.8
Marketing Return on Investment

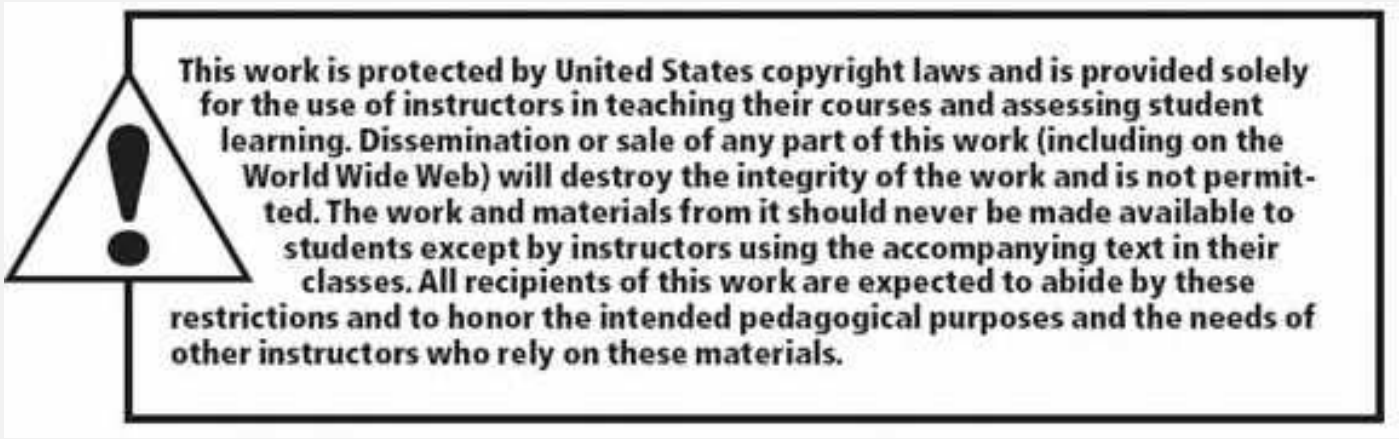
Source: Adapted from Roland T. Rust, Katherine N. Lemon, and Valerie A. Zeithaml, "Return on Marketing: Using Consumer Equity to Focus Marketing Strategy," *Journal of Marketing*, January 2004, p. 112. Used with permission.



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