Marketing (Canadian) 4th edition Grewal Solutions Manual

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Chapter Two: Developing Marketing Strategies and a Marketing Plan

TOOLS FOR INSTRUCTORS

- Learning Objectives
- Annotated Chapter Outline with Instructor's Notes/Teaching Tips
- Answers to End of Chapter Learning Aids
  - Concept Review
  - Marketing Application Questions
  - Net Savvy
  - Chapter Case Study
- Video Activities

Learning Objectives

1. Define a marketing strategy
2. Describe the elements of a marketing plan
3. Analyze a marketing situation using a SWOT analysis
4. Explain how a firm chooses what group(s) to pursue with its marketing efforts
5. Outline the implementation of the marketing mix as a means to increase customer value
6. Describe how firms grow their businesses

Annotated Chapter Outline	Instructor's Notes
Opening Vignette: Nike Both Nike and adidas compete for customers. Both companies offer a variety of product lines using different marketing tactics. Nike has used sponsorship featuring top athletes such as Michael Jordan, Kobe Bryant and LeBron James. Not to be outdone, adidas has enlisted young sports stars such as Derrick Rose and Dwight Howard to help sell its products. Each company uses different marketing strategies to win share, but Nike leads at 33% with adidas trailing at 22%.	*Chapter 2 focuses on Developing Marketing Strategies and a Marketing Plan. There are 6 Learning Objectives as noted. Students will most likely be familiar with Nike products.* ***Ask Students** to comment on any commercials they can recall and the company itself. Students will start to mention many topics in the chapter including target markets, marketing mix and sustainable competitive advantage.*
LO1: What is a Marketing Strategy? A company's marketing strategy should identify its target market(s), related marketing mix—the four Ps, and the bases upon which sustainable competitive advantage can be built. **A.** *Sustainable competitive advantage* refers to something the firm can persistently do	***Ask students**: What competitive advantage(s) do companies such as Nike, Starbucks and Tim Hortons have?* *For Nike, their competitive advantages revolve around their strong brand, technological break-throughs and a strong customer base of very loyal customers.*

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B. A sustainable competitive advantage acts like a wall that the firm builds around its position in a market.	*For Starbucks, they reach and appeal to customers that want a coffee-drinking experience and customers are willing to pay a lot for this. For Tim Hortons, their customers just want a good cup of coffee at a fair price in a timely manner.* ***Ask students**: What can a firm to do compete against a well-established market leader?* *When competing with an entrenched competitor, firms must be creative to meet the needs and wants of their customers. Apple, for example, consistently does just that and continually builds sustainable competitive advantages.*
Four Overarching Strategies that create and deliver value and develop sustainable competitive advantages: 1. Customer excellence 2. Operational excellence 3. Product excellence 4. Locational excellence	*These strategies are expanded upon in the next sections. You can hold a brief discussion of the overarching strategies or introduce the following, more in-depth discussion. It covers the four strategies to create and deliver value and a sustainable competitive advantage.* ***Ask students** to think of companies who they are very loyal to in many categories (food, electronics, personal care)? Is it their product, location, operational, or customer excellence that draws the student's loyalty?*
1. Customer Excellence: Retain loyal customers by providing excellent customer service. • Retain loyal customers: Customer loyalty means that customers are committed to buying from a particular firm. Marketers use several methods to build customer loyalty. - Develop a clear and precise positioning strategy. - Create an emotional attachment through loyalty programs. • Offer excellent customer service. - Train employees to deliver a consistently superior customer experience.	*Loyal customers enable a firm to introduce new products and change price points without the risk of losing them. This is a good place to talk about loyalty programs**.*** ***Ask students** if they belong to any (or if their parents do). Most frequent programs would include airlines, hotels and video stores. Then **ask them how the program affects their patronage. You can also ask if they are loyal to any products.** This would lead to a discussion about what it means to be loyal—customers are committed to buying from a particular firm.*

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2. Achieve operational excellence. Ensure that customers get the merchandise they want, when they want it, in the required quantities, and at a lower delivered cost than that of competitors. - Customer excellence derives from efficient operations, excellent supply chain management and strong relationships with their suppliers. - Supplier relationships must be developed over time.	*The text highlights how firms can use the various elements of the marketing mix to achieve a competitive advantage.* *In recent years, firms such as Amazon have achieved competitive advantage by utilizing operational excellence. By controlling price and how products are delivered, they have been able to offer customers low prices on a wide array of goods. This is made possible through the use of efficient operations and excellent relationships with suppliers.*
3. Offer product excellence through branding and positioning.	*Building a strong brand and unique positioning in the marketplace can be a strong deterrent to other competitors that look to enter the market. Some brands employ a unique positioning.* *Abercrombie and Fitch and Virgin Records are designed to appeal to young adults and college students. These stores use cutting edge images and unique promotions to appeal to this demographic, feature quality goods and are considered trendy.*
4. Offer locational excellence. A competitive advantage based on location is sustainable because it is not easily duplicated.	***Ask students*** *where they go to buy coffee or fast food. Do they choose Starbucks or Tim Hortons because there are many locations well situated and easily accessible? When it comes to fast food, is it easier to find a McDonald's than other burger outlets? Discuss how location has played a role in building and sustaining these businesses.* *In most cases, a single strategy is not sufficient to build a sustainable competitive advantage. Firms often require multiple approaches to build a wall around their position. Multiple approaches include providing excellent customer value, customer service, offering superior customer relations and of course, great prices!*
LO2: The Marketing Plan A marketing plan is a written document composed of an analysis of the current marketing situation, opportunities and threats (SWOT), marketing objectives and strategy specified in terms of the 4Ps, action programs, and projected or pro forma income (and other financial) statements. The three major phases of the marketing plan are: Planning Phase - **Step 1**: Define Business Mission &	*There are three phases of a marketing plan: planning, implementation, control. Exhibit 2.2 shows these phases and strategic focus of each when developing a marketing plan.* ***Ask students*** *why companies tend to not write down marketing plans. The most likely answer is that they don't take the time or haven't organized the strategy.* *Regarding the importance of planning. Sergio Zyman, former CMO of Coca-Cola, points out in his*

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Annotated Chapter Outline	Instructor's Notes
Objectives - **Step 2**: Conduct a situation analysis (SWOT analysis) Implementation Phase - **Step 3**: Identify and evaluate opportunities through segmentation, targeting and positioning process - **Step 4**: Develop and implement marketing mix (4Ps) Control Phase - **Step 5**: Evaluate performance by using marketing metrics and take corrective action as necessary	*book The End of Marketing as We Know It that no one would ever go to the airport and say "I have $200—where can I go?" Instead, they say, "I need/want to go to San Francisco; how much will it cost me?" The same is true for marketing planning; you must know your final destination to get there. Planning and executing the plan are crucial to success.* *Refer to Appendix2A to walk students through an example of a marketing plan.*
Developing a marketing plan consists of three major phases: **1.** Planning phase: Marketing executives and other top managers define the mission and/or vision of the business, conducts a situation analysis, and identifies and evaluates opportunities by engaging in a process known as segmentation, targeting, and positioning. **2.** Implementation phase: Marketing managers design the marketing organisation, allocate resources through by making budgets, and develops detailed schedules and action plans. **3.** Control phase: Marketers evaluate the performance of the marketing strategy and take any necessary corrective actions.	*A poorly executed plan leads to failure, regardless of how good or solid the plan is. The world is full of good plans poorly executed.* *When initially introduced, diapers designed differently for boy and girls bombed because the market was not ready for the product; through improved execution, the diaper manufacturer ultimately found success. However, even well-executed plans require monitoring and updating, because the needs of any market constantly change.*
Step 1: Define the Business Mission and Objectives **A.** The *mission statement* provides a broad description of a firm's objectives and the scope of activities it plans to undertake as it attempts to answer two main questions: What type of business are we? What do we need to do to accomplish our goals and objectives? **B.** A well-defined, firm-wide mission must exist before marketing executives can get involved. **C.** Each firm answers these questions in different ways, depending on the industry, size, and type of firm.	***Group activity:*** *Students should develop a mission statement for their school. The resultant mission statement would offer a good way to assess and set student expectations.* *Instructors can also discuss the different between mission statements and objectives that exist between profit and non-profit organizations. A good example of a non-profit is the Heart and Stroke Foundation. Instructors can go through this mission statement and discuss differences vs. Tim Hortons as noted above.*
LO3: Step 2: Conduct a Situation Analysis Using SWOT **A.** A *situation analysis using SWOT* assesses both the internal environment with regard to its strengths and weaknesses and the external environment in terms of its opportunities and threats. **B.** SWOT	*A SWOT analysis is comprehensive, in that it offers both an internal and an external assessment.* *The firm therefore must possess expertise in both what the firm can provide and what the market wants the firm to provide.* *Students can take a few minutes and complete a*

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1. Strengths 2. Weaknesses 3. Opportunities 4. Threats	*SWOT analysis for their college/university as an in-class exercise.*
LO4: Step 3: Identify and Evaluate Opportunities Using STP An STP analysis uses three steps to identify and evaluate opportunities for increasing sales and profits. **1.** Segmentation: The process of dividing the market into groups of customers with different needs, wants, and characteristics and who therefore might appreciate product or services geared especially to them. **2.** Targeting: An evaluation of each segment's attractiveness to determine which to pursue through *target marketing.* **3.** Positioning: The process of defining the marketing mix variables to communicate a clear, distinctive, desirable understanding of what the product does or represents in comparison with competing products to target customers.	*After completing the situation audit, the next step is to identify and evaluate opportunities for increasing sales and profits using* ***STP (segmentation, targeting, and*** *positioning).* *With STP, the firm first divides the marketplace into subgroups or segments, determines which of those segments it should pursue or target, and finally decides how it should position its products and services to best meet the needs of those chosen targets.* *Refer to Exhibit 2.6 for an example of segmentation.* *Hertz realizes that its primary appeal for the SUV/Minivan collection centers on young families, so the bulk of its marketing efforts for this business are directed toward that group.*
LO5: Step 4: Implement Marketing Mix and Allocate Resources 1. Marketing managers are responsible for setting specific objectives for the product or brand over time. 2. Develop Marketing Mix	*After companies have finished their segmentation, targeting and positioning efforts, they need to set the marketing objectives for their product or brand and develop the marketing mix.* *Refer to Exhibit 2.7 for a visual representation of Developing the Marketing Mix. This can be used to introduce the topic for a brief discussion. Or a more detailed discussion can follow based on the content that follows.*
Each element of the 4 P's must be fully integrated to achieve a coherent strategy: **A. 1st P: Product and value creation**. Firms attempt to develop products and services that customers perceive as valuable enough to buy.	***Ask students:*** *What value proposition does Dyson bring to its clients? Do you believe it is a good value compared with less expensive comparable products?* *Ask if they have seen/used Dyson fans. Do these products offer enough value to have students consider purchasing them?*

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B. 2nd P: Price and value for money. Value-based marketing requires that firms charge a price that customers perceive gives them a good value in relation to the product they receive.	*The concept of value will be covered again in the pricing chapter and throughout the course. It is worth spending some time on Value-based pricing.* ***Ask students*** *what they think about Dyson's new hair dryer that retails for $499.* *Show students two differently priced products from the same category And ask which one they view as better value and why? For example, an Apple iPhone vs. another smartphone.*
Pricing Approaches: **1.** *Cost-based pricing* uses the following equation: cost + fixed amount = selling price. **2.** *Competitor-based pricing* uses competitor's price ± a specified amount = selling price. **3.** *Value-based pricing* dictates that customers' perceived value = selling price.	*The course covers pricing in more detail later; this section provides just a brief introduction. Many students will be familiar with cost-based pricing from their finance studies. Explain that marketers view price differently.*
C. 3rd P: Place and value delivery. Firms must make products/services readily accessible where and when customers want it.	*Getting the product to consumers at the exact moment they desire it is difficult. Firms therefore are experimenting with different forms of distribution, such as vending machines for cell phones, to offer consumers 24/7 access to products.* *Firms experiment with different forms of distribution, such as vending machines for cell phones, to offer consumers 24/7 access to products.* *Staples has incorporated web kiosks in their stores to access Staples.com, allowing consumers to buy products that are out of stock in-store.* ***Ask students*** *if they are familiar with Sephora, if they like it, and why? Most likely they will be very fond of this retailer. They offer an incredible assortment in a well-organized, well-lighted, exciting retail environment.*
D. 4th P: Promotion and value communication **1.** Use a variety of media. **2.** Deliver the value proposition.	*Consumers enter into an exchange only if they know that the firm's product or service appears in the marketplace. This is why promotion is so important. They won't buy if they don't know about it.*

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Various tools, such as the **Boston Consulting Group (BCG) matrix** help marketers allocate resources.	*In all firms, resources are scarce and must be allocated so that they create the most value for the firm. The Boston Consulting Group Matrix is a tool some companies use to help them do this.* *Stars occur in high growth markets and are high market share products, for example the iPod Nano.* *Cash cows are in low growth markets but have high market shares, e.g. Microsoft's Office suite of software.* *Question marks appear in high growth markets but have relatively low market shares, e.g. Toshiba's High Definition TV versus Sony's Blu-Ray. Blu-Ray appears to have won the battle and is moving over to becoming a Star.* *Dogs are in low growth markets and have relatively low market shares.* ***Ask students** to visit the P&G website to identify stars, cash cows and question marks (newer products). They won't find any dogs at P&G's site.*
Step 5: Evaluate Performance by using Marketing Metrics and Make Adjustments The firm must determine why it achieved or did not achieve its performance goals. Performance objectives and metrics may be **financial** or related to **social responsibility**.	*Firms cannot simply remain content with a strategy for too long. Over time, all strategies must be revised to adjust to new markets, new competitors, and new technologies. The firm must recognize not only its failures but also its successes to ensure continued success.*
Strategic Planning Is Not Sequential Actual planning processes move back and forth among these steps.	*The marketing planning steps are likely to not be sequential, since, planning entails an iterative process and is affected by market shifts, new research findings, and/or the introduction of new products. Thus, rarely will the process follow the identified steps neatly.*
LO6: Growth Strategies	*The growth strategies model is crucial for students to understand.* *Fundamentally, all strategies involve one or a combination of the four factors pictured in this slide.* *Each can be used to achieve different objectives. A series of slides follows that can be used to expand on these strategies if desired.*
1. Market Penetration A *market penetration strategy* employs the existing marketing mix and focuses the firm's	*Sales encourage current users to consume more of the current product mix, but they also bring new customers to the business.*

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efforts on its existing customers.	*Many strategies can be used to get current consumers to consume more of your product.* ***Group activity:*** *Ask students to brainstorm ways in which firms can get current consumers to consume more. Example solutions might include coupons, loyalty cards, or serving size changes.*
2. Market Development **A.** A *market development strategy* employs an existing marketing offering but extends it into new market segments. **B.** International expansion is generally riskier than domestic expansion.	*This might include targeting growing ethnic groups in Canada or global expansion, which is a popular way for many firms to improve their profitability.* ***Ask international students,*** *if you have them in your class, what types of products and brands are entering their markets?* *Global expansion is a popular way for many firms to improve their profitability. Market development strategy can be explained using MTV as an example. It enjoys a competitive advantage in global markets because North American culture is widely emulated for consumer products.*
3. Product Development A *product development strategy* offers a new product or service to a firm's current target market.	*A product development strategy requires that the firm understands its current consumers' needs/wants well enough to identify other products/services that would be attractive to them.* ***Ask students*** *for examples of products that are targeted to them by companies who already have their business. They will no doubt mention many food products including drinks, candy and fast food.*
4. Diversification A *diversification strategy* introduces a new product or service to a market segment that currently is not being serviced.	*A* ***diversification strategy*** *introduces a new product or service to a market segment that currently is not served. Diversification opportunities may be either related or unrelated.* *In a related diversification opportunity, the current target market and/or marketing mix shares something in common with the new opportunity. The firm might be able to purchase from existing vendors, use the same distribution and/or management information system, or advertise in the same newspapers to target markets that are similar to their current consumers.* *In an unrelated diversification, the new business lacks any common elements with the present business.*

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Concept Review

Generally, the concept questions are designed to achieve a single purpose – to encourage students to test their knowledge and understanding of the theoretical content of the chapter. These questions encourage recall and reflection, which will better prepare students to answer the marketing applications questions based on their understanding of the theory.

1. Briefly describe the activities involved at each of the three phases of the marketing planning process: (1) planning, (2) implementation, and (3) control.

The planning phase involves defining the firm's mission and vision, conducting a situation analysis (SWOT, market trend analysis, environmental analysis, and competitor analysis), and identifying and evaluating the firm's opportunities, which involves segmentation, targeting, positioning and developing the marketing mixes for the chosen target markets, i.e. using its marketing mix to deliver good value to customers. The implementation phase defines how a firm plans to implement its mission and vision. This requires designing the marketing organisation, allocating funds (making a budget), and developing schedules and putting the plan into action. The control phase evaluates the firm's performance in order to determine to what extent the firm achieved its goals, what aspects of the marketing plan worked, what didn't, and how performance can be improved in the future.

2. What is meant by a mission or vision statement? What purpose does a mission statement serve and how does it influence marketing planning?

The mission statement gives a broad description of a firm's objectives and the scope of activities it plans to undertake. It attempts to answer two main questions: What type of business are we? What do we need to do to accomplish our goals and objectives? These fundamental business issues must be answered at the highest corporate levels before marketing executives can get involved. Once the mission is defined, the firms and its various departments develop marketing plans that contribute to achieving the firm's mission.

3. What does SWOT mean? List two benefits of SWOT analyses. What do think the differences are between a SWOT analysis for the entire firm and a SWOT analysis for a product?

SWOT stands for strengths, weaknesses, opportunities and threats and is a type of strategic analysis. There are many benefits to SWOT analyses including its flexibility of scope from an entire firm to a specific product, and also its focus on internal and external forces simultaneously.

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The difference between a SWOT analysis for a firm versus a product is the scope. The first looks at the big picture including organisational strengths and weakness, and opportunities in the market as a whole, and major competitors across all categories. The latter would evaluate the smaller picture: strengths and weaknesses only of that specific product, and market opportunities unique to that product and competitors and threats only against the product. Both SWOT analyses would help a manager assess the situation accurately and plan strategy accordingly.

4. What type of information is required to conduct a SWOT analysis and where do marketers typically look for this information?

Strengths and weaknesses refer to the internal environment of the firm and are usually evaluated with information residing within the company. Opportunities and threats refer to the firms external environment are usually assessed based on a combination of research and analysis of various external sources of public and propriety information, which the firm may buy from market research firms. The firm may also conduct its own environmental scanning to get a good sense of the business environment.

5. Why are segmentation, targeting, and positioning (STP) crucial for identifying and evaluating market opportunities? How does STP influence the development of the marketing mix – 4Ps?

Proper segmentation, targeting and positioning are crucial because they evaluate the many different opportunities available for a firm to pursue. A firm can not satisfy the needs of every possible customer, so it must be strategic in its analysis and selection of the target markets in order to choose ones it can satisfy better than competitors. With each of these targets a firm must then identify how it wants to be perceived by its target segments i.e. develop a market positioning. STP heavily influences every aspect of the 4Ps because all of the marketing mix decisions are made directly to reach, communicate with, and inspire action from, the individuals in the selected targets. Each element of the 4Ps must be integrated with the others, and must work to achieve the strategic priorities of the STP analysis and of the firm in a seamless way.

6. Describe the four growth strategies that firms typically pursue. Use a fast food restaurant or a grocery chain in Canada (e.g., Loblaws, Safeway, or Food Basics) to illustrate each of the four growth strategies.

Illustrated using Loblaws as examples, the four growth strategies are:

Market penetration: targeting existing customers with existing products. Loblaws uses television

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advertising and flyer advertising to promote existing products to existing customers. It often offers weekly specials for certain products in order to get customers to buy more.

Market development: targeting new customers with existing products. Loblaws added a health and beauty section in the weekly flyer in some markets to highlight their existing cosmetic offering to attract new young female shoppers into the stores.

Product development: targeting existing customers with new products. Loblaws uses its Insider's Report each quarter to launch brand new food products to their existing market of loyal shoppers.

Diversification: targeting new customers with new products. Loblaws developed its Joe Fresh line of clothing as a new product offering to draw in a new demographic of customers.

7. Of the four growth strategies described in the chapter, which is the most risky? Which is the easiest to implement? Why?

- Riskiest: Diversification, because there is no guarantee that the new product or service will even appeal to the new market segment. A company that diversifies also might stretch itself too thin in terms of resources, and the new product and market segment focus might cause the company's original product/market focus to suffer.
- Easiest to implement: Market penetration, because the company deals with its existing product and customer base but promotes the offering more heavily and/or broadly.

8. Identify and describe four macro strategies that firms could use to grow their business. What other strategies could companies use to compete in the market?

Customer excellence, which focuses on retaining loyal customers and excellent customer service.

Operational excellence through efficient operations and excellent supply chain management.

Product excellence, or achieving high-quality products; effective branding and positioning are key.

Locational excellence, which focuses on finding the best location for the business. This is particularly important for retailers and service providers – many say that the three most important things in retailing are location, location, location.

9. What are the four components of the BCG Matrix? When would "stars' be preferred over "cash cows"?

The four components of the BCG Matrix, plotted against the market growth rate and relative market share respectively, are stars (high, high), question marks (high, low), cash cows (low, high) and dogs

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(low, low). When successful, a star will become a cash cow. Stars are preferred over cash cows when a company is looking to invest in a new project or make a large capital investment – because returns here are more likely than in other scenarios. The profits generated by cash cows can be reinvested in star opportunities.

10. Explain why in the BCG Matrix all products start out as questions marks and either end up as stars, cash cows or as dogs.

When looking for market opportunities, a company wants to focus on products with high potential. The first place to investigate is in markets that have high growth rates and where the company may have low relative market share. This represents the biggest opportunity for the company. However, with new products the success rate is often low and failure rate is high, hence, there is little guarantee that the product will be successful, thus they are deemed question marks. With appropriate investment, strong managerial support, and excellent marketing savvy, question marks can be successful and become stars, generating tremendous revenues for the company. Over time as new products are introduced, stars become cash cows because they require little investment to maintain their position but generate a constant stream of revenues for the company. As growth rates shrink and the market becomes more competitive, the revenues generated and the low market share may not be sufficient to justify the investment required to keep the product the market i.e. it costs the company more to have these products in their portfolio than the revenues they generate, thus they are called dogs.

Marketing Applications

1. How has WestJet created a sustainable competitive advantage?

Instructor's Notes: *In considering how WestJet creates and sustains its advantage relative to other major airlines, students should address how it differs from other airlines on a variety of criteria—ticket price, service, type of airports served, nature of the reservation system, average turnaround time for planes at the gate, percentage of on-time departures and arrivals, and overall customer experience.*

Example answer:

- WestJet Airlines has created a sustainable competitive advantage by offering low-frills, low-price service to cost-conscious customers while also meeting or beating competitors' average on-time arrival and departure performance. Such service causes WestJet's customers to come back again and again. WestJet is also widely recognised for its very friendly, helpful and efficient customer service.

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2. Perform a SWOT analysis for your college or university.

Instructor's Notes*: This exercise challenges students to think about their educational institution from the perspective of not a student but rather a marketing professional. To complete the SWOT analysis, students will need to think about what the school does well, how it might perform better, how those strengths might open new opportunities for growth, and the potential weaknesses created by the school's identified weak areas.*

Example answers:

An example of SWOT analysis for the Telfer School of Management, University of Ottawa might contain the following:

Strengths	• Top-ranked program for innovation and entrepreneurship studies • AACSB accreditation • International student body and alumni network • Accomplished academic faculty
Weaknesses	• Image: Viewed as a French university outside in English Canada but as an English university in Quebec • No PhD in Management program
Opportunities	• Expansion of online program offerings • Leverage growing international alumni network • Expansion of Graduate Research Degree programs
Threats	• Many competing entrepreneurship programs in the Ontario and Canada • Potential for school ranking to drop

3. Describe the primary target markets for the Toronto Blue Jays, Victoria's Secret, and Gatorade. How do these three firms position their products and services so that they appeal to their respective target markets?

Instructor's Notes: *Using three popular brands, students can explore to whom the products are targeted and how the companies apply this targeting to appeal to the consumer segment in question.*

Example answers:

- Toronto Blue Jays: Predominantly men who enjoy and watch sports in Toronto and in Ontario. The organization positions its product through television and print advertising in sports-related media outlets, broadcasts of games on both cable and broadcast television stations, product merchandising, and personal endorsements of other products by players.
- Victoria's Secret: Primarily 20-something women looking for fashion-forward, body-conscious lingerie designs, as well as young men who are interested in these women. The company

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promotes its products through risqué television and print advertisements, as well as lingerie-themed fashion shows available through cable pay-per-view networks.

- Gatorade: Anyone who takes part in strenuous activity—particularly sports—looking for refreshment that replenishes body fluids depleted due to that activity, but especially those under 30 years of age. Gatorade uses vibrant, sports-themed television and print advertisements, as well as sponsored sporting events and product placements at those same events.

4. Pick your favourite product, service provider, or retailer. How do they add value through the implementation of the 4Ps?

Instructor's Notes: *Students must think about how value might be created by his or her favourite product or service on the basis of the four elements of the marketing strategy—product, price, place, and promotion—and how they come together to create that value.*

Example answers:

- Toyota 86 (formerly Scion frs) automobile:
  - Product: A low-cost vehicle with many customizable options.
  - Price: Low company costs passed on to the consumer in the form of low prices, which makes the vehicle affordable even on a student's limited budget.
  - Place: A combination of wide dealership distribution and robust online sales, which enables the student to choose his or her vehicle options online and have it ready for pick up at an associated dealership.
  - Promotion: Street-smart, hip, high-energy advertising that highlights how many options a student has in making the car his or her own unique, personal statement.

5. Choose three retailers. You believe the first builds customer value through product excellence, the second through operational excellence, and the third through customer excellence. Justify your answer.

Instructor's Notes: *Whereas the previous questions ask students to consider how various marketing elements (such as the 4Ps) create value for consumers, this exercise challenges them to consider more macro-level strategies for creating and delivering value, as well as for developing sustainable competitive advantage.*

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Example answers:

- Product excellence: Apple effectively has branded its iPod media player and iTunes online media store so that comparable, cheaper MP3 devices and online music stores seem inferior.
- Operational excellence: WestJet Airlines offers consistent customer experience, regardless of the airport, and manages its logistics so that it meets or beats the on-time arrival and departure performance of all other major airlines.
- Customer excellence: Enterprise Rent-A-Car provides strong customer service, both at the counter and by offering to pick up customers at their homes or businesses when they rent a vehicle from the agency.

6. Visit the website of your bank and try to identify how it uses STP to develop various types of bank accounts (products) and charge different fees (price) for different types of accounts.

Instructor's Notes: *This question asks student to apply their knowledge of segmentation to a real company and a real situation with which most of them would have a cursory knowledge. This exercise would not only show them first-hand how banks segment their customers' bank accounts but would also how STP are used to satisfy different customer needs and wants or customers with similar characteristics.*

Example answers:

Students will most likely visit the website of their respective banks and would look at different types of bank accounts. Take for example, Scotiabank segments its transactions-based accounts into 6 segments:

Account Segments	Fees
Scotia One	$9.95/mth Covers Unlimited transactions (teller-assisted or self-service)
Scotia Powerchequing	No fees with $2,000 minimum monthly balance. Otherwise, $3.95/mth covers 15 self-service transactions including cheques
Basic Banking	$3.95/mth covers 12 transactions, including up to 4 teller-assisted
Basic Banking Plan	$7.00/mth covers 50 self-service transactions including cheques
Scotia Value Account	$11.95/mth Covers 50 transactions (teller-assisted or self-service); plus a variety of no-charge and discounted everyday banking services
Scotia U.S. Dollar Daily Interest Account	No fees with U.S. $200 minimum monthly balance. Otherwise, U.S. $1.00/mth covers 2 debit transactions.

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Customer segments are determined using Scotiabank's Account Selector Reality Check®, an online tool that recommends the account that best fits with the customer's banking patterns.

7. Select a company with which you are familiar or search online to find a company that has pursued a diversification strategy as one of its growth strategies. How successful was the company's diversification strategy? What factors do you think account for its success or failure?

Instructor's Notes: *The focus of this question is to get students to think about related and unrelated diversification strategies and tactics companies can use to grow their businesses. They should be able to identify the factors that could influence the success or failure of diversification strategies.*

Example answers:

The key to answering this question is for students to be able to first identify the core business, products or service the company provides and then the new business, product, or service they are entering or have entered. The next step is to think about the benefits and risks of diversification that could eventually influence their success. An example of unrelated diversification occurred when banks started offering insurance products and services. A few years ago, banks were not allowed to sell insurance products since banking products and services were considered legally different from insurance products and services. However, the banks successfully lobbied the government to change the law and they are now selling insurance products and services. Another example is Rogers Communications, a cable and cell phone service provider (a telecommunications company) that is seeking approval to offer credit card services (a financial service) to its customers. Similarly, Apple, for example, was originally a computer company before it entered the mobile music market. This could be seen as both a related and an unrelated diversification since Apple was able to leverage its technological know-how, use some of its existing distribution network, and focus on its existing customer base. However, it can be characterized as an unrelated diversification since mobile music was seen as quite different from simply making and selling computers. This example could be used to emphasize the fact that the line between related an unrelated diversification is not always clear and distinct.

Students may identify a wide range of factors that may influence the success of diversification strategies, some of which may be specific to the companies chosen while others may be more general such as:

(1) Knowledge of the target market – that is how well the company understands the needs and wants of consumers in the new market and can serve them

(2) Product/service characteristics and value – how well the product fulfils the needs of the market and the extent to which it does it better than competing products/services and the overall value offered

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(3) Access to manufacturing facilities and distribution networks

(4) Promotion strategies and tactics – convincing customers that as a new entrant they are capable and reliable to offer a high quality product or service that equals to better than existing products/services

(5) Market size and access – how big is the market and how easy it to enter is could influence success. Larger markets that are less competitive may be easier to penetrate than more competitive markets, especially if they are small.

8. Imagine that you have just developed and launched a new sports bike for cycling enthusiasts and your business has become an instant success. You would like to capitalize on this success and fame to grow your business. Explain how you would go about expanding your business over the next three years

Instructor's Notes: *The goal of this question is get students to think about how they may apply the four growth strategies – market penetration, product development, and market development, and diversification.*

Example answers:

Students should be able to identify an appropriate sequence in the application of the growth strategy. Given that it is a new business that has been an instant success, students should likely suggest a market penetration strategy for most of the three years, if not all of it, followed by either a market development or product development strategy, depending on which of these two they consider more lucrative or risky. Students should be asked to justify their choice of growth strategies and to identify specific products they would develop or specific markets they would pursue.

9. Use the sports bike scenario from the previous question, describe what kinds of analysis you might conduct before deciding what growth strategies to implement?

Instructor's Notes: *This question requires students to consider the type of information they would need in order to decide on which strategy to employ.*

Example answers:

Students who choose market penetration may decide to focus on customer satisfaction and feedback data in order to improve their offering. Those that intend to use market development will likely focus on researching the new market(s) or segment(s) in order to get insights about customers' needs and wants and how they align with their existing resources and capabilities. Those that focus on a product

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development strategy will more likely collect information on customers' unmet needs or latent needs in order to develop new products to satisfy those needs.

10. **You and a few of your classmates are planning to open a new spa facility near the campus of your university. Explain how you would segment the market for your services, which segment would you target, and how would you position your spa to the chosen target market.**

Instructor's Notes: *This question requires that students apply their knowledge of the process of segmenting a market and to list the criteria for selecting a market segment.*

Example answers:

Students' answers may vary but they must clearly indicate that segmentation is about creating groups of customers that respond similarly to the firm's marketing efforts. They must state bases for segmenting the market, for example, using demographic factors (e.g., age, sex, income, location, etc) or psychological or behavioural considerations. Students must also identify the criteria for selecting a target market i.e. a segment's attractiveness in terms of factors such as size and growth potential.

Net Savvy

1. **Petro-Canada is considered a progressive company in terms of its values and the mission statement that drives its business. Visit its website (http://www.petro-canada.ca) and review the portion that discusses the company, its mission, and its values. Discuss aspects of its mission and values that might be considered progressive. Do you believe its progressive attitude creates a special position in the market that contributes to a sustainable competitive advantage?**

Instructor's Notes: *This exercise challenges students to consider how and to what extent socially and/or environmentally progressive policies contribute to a company's competitive advantage. The real question for the students, however, is whether this competitive advantage is sustainable for Petro-Canada.*

Example answers:

There are several aspects that might be considered progressive (see the screen shots for examples of the mission statement, company values, and social and environmental assessments):

- Economic opportunity creation for those who traditionally have been economically disadvantaged.
- Environmentally conscious manufacturing and waste management.
- Ecologically safe agriculture methods and practices.

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- Promotion of social justice domestically and internationally.

Do these efforts translate into sustainable competitive advantage? Perhaps not, because there is nothing to stop a competitor from copying these values or methods. The ultimate logic of these values actually advocates that this competitive advantage should not be sustainable for a single company because these practices should be shared by all companies.

2. More and more firms seem to be entering the dating service industry. Visit eHarmony (http://www.eharmony.ca) and tour its website to find the types of activities and methods such companies use to help match compatible couples. Now, analyse the environment that might affect Internet dating services using a SWOT analysis.

Instructor's Notes: *Students can apply what they have learned to a novel service area they might not have considered before. To obtain an understanding of how a company like eHarmony attempts to match singles, students must consider what factors affect online dating services in the guise of a SWOT analysis.*

Example answers:

- eHarmony uses questionnaires to probe what people think about relationships (i.e., what they want, what's important, what they like or don't like), as well as personality tests to create a high-quality dating match.
- According to the following SWOT analysis, eHarmony might face problems on two fronts. First, singles could use many other low-cost options—both online and real-world—to meet and get to know one another. With so many options, clients might not be willing to pay for the eHarmony subscription service. Second, there is no guarantee that clients can avoid potentially negative, or even dangerous, situations with bad matches or sexual predators who use the service for their own ends.

Strengths	• At-home convenience factor • Multiple matching criteria • Low client risk
Weaknesses	• No guarantee that matches will be good or safe • Requires client subscription to enable communication between matches
Opportunities	• Use matching criteria for couples to provide inexpensive counselling • International expansion
Threats	• Many no-charge opportunities for singles to meet, online or off

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	• Potential for sexual predators to use the service negatively

End-of-Chapter Case Study:
The Great Frozen Yogurt Battle

1. Perform a SWOT analysis for Yogurty's and Menchies. How are the results similar? How do they differ?

Example answers:

SWOT analysis: Yogurty's

	Positive	*Negative*
Internal	***STRENGTHS*** ♦ Canadian chain with self-serve bar rotates through 150 flavours	***WEAKNESSES*** ♦ Limited detailed information regarding ingredients or probiotics
External	***OPPORTUNITIES*** ♦ Frozen yogurt is a growing part of the $25 billion frozen dessert market	***THREATS*** ♦ Successful competitors

SWOT analysis: Menchies

	Positive	*Negative*
Internal	***STRENGTHS*** ♦ Customers enjoy self-service, D-I-Y frozen yogurt sundae bar	***WEAKNESSES*** ♦ Higher per-serving cost
External	***OPPORTUNITIES*** ♦ Frozen yogurt is a growing part of the $25 billion frozen dessert market	***THREATS*** ♦ Successful competitors

2. Which growth strategies seem most likely for the two companies mentioned above? Why?

Example answers:

Menchies: *Menchies stresses natural flavour, the highest quality ingredients, and all of its products are certified Kosher. However, it has the highest costs. It may be able to use a product development strategy to create offerings that are more profitable.*

Yogurty's: *Yogurty's features 85 different flavours of yogurt, offers 150 flavours on a rotating basis, and offers low-fat, no-fat and gluten-free options giving customers more choices and*

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more control. The emphasis on health is part of a growing market. It can continue this growth by using a market penetration strategy.

Video Activities

Video: Spirit Airlines: Home of the Bare Fare

Description: Spirit Airlines is an unusual airline; although often cited as the most hated airline in the US, it is also one of the fastest growing airlines in the world. How is that possible? Spirit competes as an ultra-low cost carrier (ULCC), and does so by unbundling extra services from its basic fare. As a result, things that other airlines include in their prices (for example, carry-on bags) cost extra on a Spirit flight. This approach allows Spirit Airlines to keep prices low, attracting a different type of customer who values price above comfort and amenities. Spirit's low price is a key strength of its strategy; a key weakness is that many first-time customers do not understand, and are therefore surprised and angered by, this unbundling strategy when they arrive at the airport and find that additional fees are due for services they typically receive at no cost.

Core Concepts Covered: Marketing Strategy, SWOT Analysis

Discussion Question:
What are the strengths, weaknesses, opportunities, and threats resulting from Spirit's "Bare Fare" strategy?

Brief Answer:

- Strength: Low price, which is the most important consideration for many air travelers
- Weakness: This pricing strategy is unfamiliar to many US customers, leading to dissatisfaction later
- Opportunity: To reach the type of consumer who either cannot afford normal airfares, or who is seeking to economize on air travel in order to splurge elsewhere
- Threat: Competitors are beginning to copy some aspects of Spirit's approach

Discussion Question:
Of the three bases of sustainable competitive advantage, which one does Spirit appear to be pursuing? What else must Spirit Airlines do, besides providing ultra-low fares, to achieve this type of sustainable advantage over its competitors?

Brief Answer:

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Operational Excellence appears to be the closest to Spirit's strategy; however, just offering the lowest fares isn't enough. Spirit must also keep its costs lower than competitors' costs; otherwise, competitors can easily copy the pricing strategy and the competitive advantage evaporates.

Additional Teaching Tips

In this chapter, the goal is to introduce students to an overview of the marketing plan, the concept of customer value, and the utility of the SWOT matrix. It is important to teach students that the importance of the marketing plan is to communicate the value proposition to consumers and to provide direction on how that will be achieved.

The utility of the marketing plan must be conveyed throughout the course. Teach students that **the marketing plan is a subset of the business plan** that forms the foundational strategy of business. Students come to realize the importance of the marketing plan when the instructor frequently makes connection to its purpose not only on the day the concept is taught but also throughout the course.

Customer value is a difficult concept for students to grasp. Instructors may want to ask students to write down something they find of value and what aspects lead to creating that value. The instructor can then ask what they would trade for that value. It is important that instructors communicate that value is more than monetary worth and can't easily be measured. *As a result, marketers must conduct target market research in order to create the value proposition of their marketing strategy*.

The **SWOT matrix** may be easily demonstrated by dividing your class into groups and having each group contribute one item to each of the four quadrants using the college they are attending (common ground for all students) or a major chain food (such as McDonald's) so that all students are familiar with strengths, weaknesses, opportunities, and threats that may apply. Students can work as a group and then each group may put their items on the white boar to form a collective classroom SWOT. Instructors should then make the link that the opportunities and strengths should filter into the marketing message delivered in advertising campaigns and other marketing tools. **Online tip:** Instructors may want to divide their class by last name A-E Strengths, F-J Weaknesses, and so forth to answer a discussion board question using the same concept. Students could then complete an individual SWOT as an assignment. Another option would be to use the same concepts and integrate it as an online team assignment where each team forms their respective completed SWOT.

Remember to review the ***Newsletter for Instructors*** and its accompanied ***PowerPoint presentation,*** which integrates examples and discussion from the newsletter. Each newsletter contains **over ten article abstracts** on hot topics, plus a selection of current **commercials** and **videos** for you to use with your

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class. The newsletter also includes a guide that explains where the articles, commercials, and videos best fit in your Marketing course.

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