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DEVELOPING SUCCESSFUL MARKETING STRATEGIES

LEARNING OBJECTIVES

After reading this chapter, students should be able to:

LO1 Describe two kinds of organization that exist and the three levels of strategy in them.

LO2 Describe how core values, mission, organizational culture, business, and goals are important in organizations.

LO3 Discuss how an organization assesses where it is now and where it seeks to be.

LO4 Explain why managers are tracking strategic performance with marketing analytics, marketing dashboards and marketing metrics.

LO5 Explain the three steps of the planning phase of the strategic marketing process.

LO6 Describe the elements of the implementation and evaluation phases of the strategic marketing process.

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FOCUSING ON KEY TERMS

benchmarking
business
business firm
business model
business portfolio analysis
competencies
competitive advantage
core values
corporate level
cross-functional teams
customer satisfaction
diversification
employee welfare
functional level
goals
market development
market penetration
market program
market segmentation
market share
marketing accountability
marketing dashboard
marketing metric
marketing plan
marketing program
marketing strategy
marketing tactics
market-product analysis
mission
non-profit organization
objectives
offerings
organizational culture
points of difference
product development
profit
quality
sales
situation analysis
SMART
social responsibility
strategic business unit level
strategic business unit (SBU)
strategic marketing process
strategy
SWOT analysis

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TEXTBOOK FIGURES

Figure 2-1 The three levels of strategy in organizations.

Figure 2-2 Key elements used by today's visionary organizations.

Figure 2-3 Boston Consulting Group portfolio analysis.

Figure 2-4 Four market-product strategies.

Figure 2-5 The strategic marketing process.

Figure 2-6 Ben & Jerry's: a SWOT analysis to get it growing in Canada.

Figure 2-7 Elements of the marketing mix that comprise a cohesive marketing program.

Figure 2-8 Organization of a typical manufacturing firm, showing a breakdown of the marketing department.

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CHAPTER OPENING

EXAMPLE MAKING THE WORLD A BETTER PLACE, ONE SCOOP AT A TIME!

- BEN & JERRY'S STARTED AN ICE CREAM BUSINESS IN 1978 WITH $12,000 IN BORROWED AND SAVED MONEY

- BEN AND JERRY EMBRACED A CONCEPT THEY CALLED "LINKED PROSPERITY," WHICH ENCOURAGED THE SUCCESS OF ALL CONSTITUENTS INCLUDING EMPLOYEES, SUPPLIERS, CUSTOMERS, AND NEIGHBORS. THEY SET OUT TO ACHIEVE LINKED PROSPERITY WITH A THREE-PART MISSION STATEMENT:

1. **PRODUCT MISSION**: TO MAKE, DISTRIBUTE AND SELL THE FINEST QUALITY ALL-NATURAL ICE CREAM.

2. **ECONOMIC MISSION**: TO OPERATE THE COMPANY FOR SUSTAINABLE FINANCIAL GROWTH.

3. **SOCIAL MISSION**: TO OPERATE THE COMPANY IN WAYS THAT MAKE THE WORLD A BETTER PLACE.

- TODAY, BEN & JERRY'S IS OWNED BY UNILEVER AND OPERATES IN OVER TWO DOZEN COUNTRIES INCLUDING COAST-TO-COAST IN CANADA.

- WHILE CUSTOMERS LOVE BEN & JERRY'S RICH PREMIUM ICE CREAM, MANY BUY ITS PRODUCTS TO SUPPORT ITS SOCIAL MISSION.

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1. TODAY'S ORGANIZATION

LO1 Describe two kinds of organization that exist and the three levels of strategy in them.

A. KINDS OF ORGANIZATIONS - VERY BROADLY, THERE ARE TWO KINDS OF ORGANIZATIONS:

i. A BUSINESS FIRM IS A PRIVATELY OWNED ORGANIZATION THAT SERVES ITS CUSTOMERS IN ORDER TO EARN A PROFIT. BUSINESS FIRMS MUST EARN A PROFIT TO SURVIVE. **PROFIT** IS THE REWARD TO A BUSINESS FIRM FOR THE RISK IT UNDERTAKES IN OFFERING A PRODUCT FOR SALE: THE MONEY LEFT OVER AFTER A FIRM'S TOTAL EXPENSES ARE SUBTRACTED FROM ITS TOTAL REVENUES.

ii. A NONPROFIT ORGANIZATION IS A NONGOVERNMENTAL ORGANIZATION THAT SERVES ITS CUSTOMERS BUT DOES NOT HAVE PROFIT AS AN ORGANIZATIONAL GOAL. SUCH ORGANIZATIONS INCLUDE MUSEUMS, PRIVATE HOSPITALS, AND RESEARCH INSTITUTES.

ORGANIZATIONS THAT ARE GROUPED TOGETHER FORM AN INDUSTRY, SUCH ASTHE COMPUTER INDUSTRY OR THE AUTOMOBILE INDUSTRY

B. WHAT IS STRATEGY?

STRATEGY IS AN ORGANIZATION'S LONG-TERM COURSE OF ACTION DESIGNED TO DELIVER A UNIQUE CUSTOMER EXPERIENCE WHILE ACHIEVING ITS GOALS.

C. STRUCTURE OF TODAY'S ORGANIZATIONS

THERE ARE THREE LEVELS IN LARGE ORGANIZATIONS:

i. THE **CORPORATE LEVEL** IS WHERE TOP MANAGEMENT DIRECTS OVERALL STRATEGY FOR THE ENTIRE ORGANIZATION.

ii. **THE STRATEGIC BUSINESS UNIT LEVEL** IS THE LEVEL AT WHICH BUSINESS UNIT MANAGERS SET THE DIRECTION FOR THEIR PRODUCTS AND MARKETS. A **BUSINESS UNIT** REFERS TO AN ORGANIZATION (OR A

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PART OF AN ORGANIZATION) THAT MARKETS A SET OF RELATED PRODUCTS TO A CLEARLY DEFINED GROUP OF CUSTOMERS.

iii. THE **FUNCTIONAL LEVEL** IS WHERE GROUPS OF SPECIALISTS CREATE VALUE FOR THE ORGANIZATION. OFTEN CALLED "DEPARTMENTS," EXAMPLES OF THESE FUNCTION UNITS ARE THE FINANCE, HUMAN RESOURCE MANAGEMENT OR RESEARCH AND DEVELOPMENT UNITS. MARKETING WORKS AT EACH OF THESE LEVELS TO HELP THE ORGANIZATION SUCCEED.

iv. **CROSS-FUNCTIONAL TEAMS -** TEAMS FROM DIFFERENT DEPARTMENTS WHO ARE MUTUALLY ACCOUNTABLE TO A COMMON SET OF PERFORMANCE GOALS. SOMETIMES THE TEAMS INCLUDE SUPPLIERS AND CUSTOMERS FOR STRATEGY FORMULATION TO BETTER SERVE CUSTOMER NEEDS.

MARKETING MATTERS

THE NEW ERA OF MARKETING ACCOUNTABILITY AND THE SKILLS EMPLOYERS WANT FROM MARKETERS

- MARKETING MAY BE LOOSING ITS STAURE AND INFLUENCE WITHIN ORGANIZATIONS.
- MARKETERS ARE STRUGGLING TO DEMONSTRATE ACCOUNTABILITY THROUGH LINKING MARKETING ACTIVITIES AND STRATEGIES TO ORGANIZATIONAL OUTCOMES.
- MARKETING STUDENTS ARE ENTERING THE WORKFORCE ILL-PREPARED.
- KEY CAPABILITIES NEEDED FOR MARKETING ACCOUNTABILITY INCLUDE FINANCIAL AWARENESS, CROSS-FUNCTIONAL COLLABORATION, DATA ANALYTICS, DECISIONS INFLUENCE THROUGH MARKET KNOWLEDGE AND RETURN ON INVESTMENT (ROI) ASSESSMENT

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LEARNING REVIEW

1. WHAT IS STRATEGY?
ANSWER: STRATEGY IS AN ORGANIZATION'S LONG-TERM COURSE OF ACTION DESIGNED TO DELIVER A UNIQUE CUSTOMER EXPERIENCE WHILE ACHIEVING ITS GOALS

2. WHAT IS MARKETING ACCOUNTABILITY?
ANSWER: MARKETING ACCOUNTABILITY IS MARKETING PRACTICE THAT LINKS MARKETING ACTIVITIES AND STRATEGIES TO ORGANIZATIONAL OUTCOMES. IT REQUIRES CAPABILITIES INCLUDING FINANCIAL AWARENESS, DATA ANALYTICS, DECISION INFLUENCE THROUGH MARKET KNOWLEDGE AND RETURN ON INVESTMENT (ROI) ASSESSMENT.

3. WHAT ARE EXAMPLES OF A FUNCTIONAL LEVEL IN AN ORGANIZATION?
ANSWER: EXAMPLES COULD INCLUDE LAWYERS, ACCOUNATS, ADVERTISING AND SALES.

3. STRATEGY IN VISIONARY ORGANIZATION

LO2 Describe how core values, mission, organizational culture, business, and goals are important in organizations.

MANAGEMENT EXPERTS STRESS THAT TO BE SUCCESSFUL, TODAY'S ORGANIZATIONS MUST BE FORWARD LOOKING. THEY MUST BOTH ANTICIPATE FUTURE EVENTS AND RESPOND QUICKLY AND EFFECTIVELY. THIS REQUIRES A VISIONARY ORGANIZATION TO SPECIFY IT'S FOUNDATION (WHY DOES IT EXIST?), SET A DIRECTION (WHAT WILL IT DO?), AND FORMULATE STRATEGIES (HOW WILL IT DO IT?)

A. ORGANIZATIONAL FOUNDATION: WHY DOES IT EXIST?

i. CORE VALUES. PRINCIPLES THAT GUIDE ORGANIZATION'S CONDUCT OVERTIME.

ii. MISSION. STATEMENT THAT DEFINES ORGANIZATIONAL SCOPE, CUSTOMERS, MARKETS, PRODUCTS, AND TECHNOLOGY. INTERCHANGEABLY CALLED VISION. .

iii. ORGANIZATIONAL CULTURE: CORPORATIONS MUST CONNECT CUSTOMERS AND STAKEHOLDER ON INTERNAL AND EXTERNAL BASES.

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STAKEHOLDERS, INDIVIDUALS OR GROUPS EITHER WITHIN OR OUTSIDE AN ORGANIZATION THAT RELATE TO IT IN TERMS OF WHAT IT DOES AND HOW WELL IT PERFORMS. **ORGANIZATIONAL CULTURE,** A SET OF VALUES, IDEAS, AND ATTITUDES THAT IS LEARNED AND SHARED AMOUNG THE MEMBERS OF AN ORGANIZATION.

B. ORGANIZATIONAL DIRECTION: WHAT WILL IT DO?

i. BUSINESS

A **BUSINESS** DESCRIBES THE CLEAR, BROAD, UNDERLYING INDUSTRY OR MARKET SECTOR OF AN ORGANIZATION'S OFFERING.

A **BUSINESS MODEL** OUTLINES THE STRATGIES THAT AN ORGANIZATION DEVELOPS TO PROVIDE VALUE TO THE CUSTOMERS IT SERVES.

ii. GOALS OR OBJECTIVES

a. A GOAL (OBJECTIVE) IS A TARGETED LEVEL OF ACHIEVEMENT IN ADVANCE OF WORK. USEFUL CRITERIA FOR WRITING EFFECTIVE GOALS ARE GIVEN BY THE ACRONYM SMART:

SPECIFIC: A PRECISE DESCRIPTION OF WHAT IS TO BE ACHIEVED

MEASURABLE: A QUANTITATIVE VALUE TO SHOW ATTAINMENT

ATTAINABLE: ACHIEVABLE, BUT CHALLENGING

RELEVANT: PERTINENT TO THE ORGANIZATION'S MISSION

TIME-BASED: HAVE A DEADLINE FOR COMPLETION

b. IN ADDITION TO PROFIT, SEVERAL OTHER GOALS HAVE BEEN IDENTIFIED THAT FIRMS MAY PURSUE. THESE INCLUDE SALES REVENUES, MARKET SHARE, UNIT SALES, QUALITY, EMPLOYEE WELFARE, CUSTOMER SATISFACTION, AND SOCIAL RESPONSIBILITY. **MARKET SHARE** IS THE RATIO OF SALES REVENUE OF THE FIRM TO THE TOTAL SALES REVENUE OF ALL FIRMS IN THE INDUSTRY, INCLUDING THE FIRM ITSELF.

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NONPROFIT ORGANIZATIONS' GOALS DO NOT REVOLVE AROUND PROFITS. NONPROFIT ORGANIZATIONS LIKE MUSEUMS AND ORCHESTRAS STRIVE TO PROVIDE GOODS AND SERVICES TO BENEFICIARIES.

GOVERNMENT AGENCIES HAVE "SERVING THE PUBLIC" AS THEIR PRIMARY GOAL, BUT THEY DO NOT TECHNICALLY FALL UNDER THE DEFINITION OF "NONPROFIT ORGANIZATION."

MARKETING RESPONSIBLE DECISONS

THE GLOBAL DILEMMA: HOW TO ACHIEVE SUSTAINABLE DEVELOPMENT

- "SUSTAINABLE DEVELOPMENT" ACCORDINGL TO THE U.N. INVOLVES MEETING PRESENT NEEDS 'WITHOUT COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO MEET THEIR OWN NEEDS'
- FOR EXAMPLE, WITH MORE THAN A THIRD OF THE HOUSEHOLDS OF MANY OF EASTERN EUROPE OF THE FORMER SOVIET UNION LIVING BELOW THE POVERTY LINE, SHOULD THE IMMEDIATE GOAL BE A CLEANER ENVIRONMENT OR MORE FOOD, CLOTHING, HOUSING, AND CONSUMER GOODS?
- AT COMPANY LEVEL, 3M FOR EXAMPLE DEVELOPED POLUTION PREVENTION PAYS (3P) TO REDUCE HARMFUL ENVIRONMENTAL IMPACTS, MAKING A PROFIT DOING SO.
- WHAT SHOULD BE DONE? SHOULD THE ENVIRONMENT OR ECONOMIC GROWTH COME FIRST? WHAT ARE THE SOCIETAL TRADE-OFFS? WILL FIRMS ADOPT A 3P KIND OF PROGRAM?

C. ORGANIZATIONAL STRATEGIES: HOW WILL IT DO IT?

i. VARIATION BY LEVEL

MOVING FROM THE CORPORATE TO THE STRATEGIC BUSINESS UNIT TO THE FUNCTIONAL LEVEL INVOLVES CREATING INCREASINGLY DETAILED STRATEGIES AND PLANS.

ii. VARIATION BY OFFERING

ORGANIZATIONAL STRATEGIES ALSO VARY BY THE ORGANIZATION'S OFFERING. THE STRATEGY WILL BE FAR DIFFERENT WHEN MARKETING A

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VERY TANGIBLE PHYSICAL PRODUCT (A HEART PACEMAKER), A SERVICE (A WESTJET FLIGHT), AN IDEA (DONATE TO THE CANADIAN RED CROSS).

LEARNING REVIEW

4. WHAT IS THE MEANING OF AN ORGANIZATIONAL MISSION?
ANSWER: IS A STATEMENT OF THE ORGANIZATION'S FUNCTION IN SOCIETY, OFTEN IDENTIFYING ITS CUSTOMERS, MARKETS PRODUCTS, AND TECHNOLOGIES.

5. WHAT IS THE DIFFERENCE BETWEEN AND ORGANIZATIONS' "BUSINESS" AND ITS GOALS?
ANSWER: A BUSINESS IS THE CLEAR, BROAD, UNDERLYING INDUSTRY OR MARKET SECTOR OF AN ORGANIZATION'S OFFERING. GOALS ARE STATEMENTS OF AN ACCOMPLISHMENT OF A TASK TO BE ACHIEVED, OFTEN BY A SPECIFIC TIME.

4. SETTING STRATEGIC DIRECTIONS

LO3 Discuss how an organization sets strategic directions and tracks performance by using marketing dashboards and metrics.

A. A LOOK AROUND: WHERE ARE WE NOW?

i. **COMPETENCIES.** AN ORGANIZATION'S SPECIAL CAPABILITIES, INCLUDING SKILLS, TECHNOLOGIES, AND RESOURSES, THAT DISTINGUISH IT FROM OTHER ORGANIZATIONS. **COMPETITIVE ADVANTAGE.** A UNIQUE STRENGTH RELATIVE TO COMPETITORS, OFTEN BASED ON QUALITY, TIME, COST, INNOVATION, CUSTOMER INTIMACY OR CUSTOMER EXPERIENCE MANAGEMENT.

. **QUALITY**, AS USED HERE, MEANS THOSE FEATURES AND CHARACTERISTICS OF A PRODUCT THAT INFLUENCE ITS ABILITY TO SATISFY CUSTOMER NEEDS MANY FIRMS TRY TO IMPROVE THEIR QUALITY THROUGH **BENCHMARKING**, DISCOVERING HOW OTHERS DO SOMETHING BETTER THAN YOUR OWN FIRM SO YOU CAN IMITATE OR LEAPFROG COMPETITION.

ii. **CUSTOMERS**. KNOW WHO THE CUSTOMERS AND PROSPECTIVE CUSTOMERS OF THE ORGANIZATIONS ARE, WHAT THEY WANT AND

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WHERE AND HOW THEY WANT VALUE DELIVERED. STAY CLOSE TO THE CUSTOMER.

iii. **COMPETITORS**. ORGANIZATIONS MUST STUDY WHO THE COMPETITORS ARE, AND HOW THEY ARE CHANGING.

B. GROWTH STRATEGIES: WHERE DO WE WANT TO GO?

TWO TECHNIQUES AID MANAGERS IN SETTING DIRECTION. THEY ARE PORTFOLIO ANALYSIS AND MARKET-PRODUCT ANALYSIS.

i. **BUSINESS PORTFOLIO ANALYSIS**

THE BOSTON CONSULTING GROUP'S (BCG) GROWTH-SHARE MATRIX IS AN EXAMPLE OF A TECHNIQUE THAT IS USEFUL IN HELPING MARKETING EXECUTIVES MAKE RESOURCE ALLOCATION DECISIONS. THIS TECHNIQUE BREAKS A LARGE FIRM INTO A NUMBER OF DECENTRALIZED PROFIT CENTRES — CALLED **STRATEGIC BUSINESS UNITS** (SBU's) — IN ORDER TO SIMPLIFY THE RESOURCE ALLOCATION PROCESS.

BUSINESS PORTFOLIO ANALYSIS. THE SBUs ARE POSITIONED ON A GROWTH-SHARE MATRIX.

a. THE VERTICAL AXIS IS THE MARKET GROWTH RATE — THE ANNUAL RATE OF GROWTH OF THE SPECIFIC MARKET OR INDUSTRY IN WHICH A GIVEN SBU IS COMPETING.

b. THE HORIZONTAL AXIS IS THE RELATIVE MARKET SHARE — THE SALES OF THE SBU DIVIDED BY THE SALES OF THE LARGEST COMPETITOR IN THE INDUSTRY.

FOUR RESULTING QUADRANTS:

1. **CASH COWS** (LOWER LEFT) - DOMINANT SHARE OF SLOW-GROWTH MARKET ENABLES SBU TO GENERATE LARGE AMOUNTS OF CASH TO BE USED FOR COMPANY OVERHEAD AND INVESTMENT IN OTHER SBUs.

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2. **STARS** (UPPER LEFT) - HIGH SHARE OF HIGH GROWTH MARKET. MAY NOT GENERATE ENOUGH CASH TO SUPPORT THEIR OWN DEMANDING NEEDS.

3. **QUESTION MARKS OR PROBLEM CHILDREN** (UPPER RIGHT) - SBU WITH LOW SHARE OF HIGH GROWTH MARKET. REQUIRE A LOT OF CASH TO MAINTAIN MARKET SHARE, AND MANAGEMENT MUST DECIDE WHETHER INVESTING RESOURCES IN THIS SBU IS JUSTIFIED.

4. **DOGS** (LOWER RIGHT) - SBU WITH A LOW SHARE OF A LOW-GROWTH MARKET. DO NOT HOLD PROMISE OF BECOMING WINNERS FOR THE FIRM.

USED IN MARKETING PLANNING: AFTER BUSINESS PORTFOLIO ANALYSIS IS COMPLETE, THE FIRM MUST IDENTIFY THE OBJECTIVES FOR EACH SBU. THE BOSTON CONSULTING GROUP HAS IDENTIFIED FOUR ALTERNATIVES, WHICH ARE RANKED FROM MOST TO LEAST IN TERMS OF CASH INFUSED:

a. **BUILD** – INCREASE MARKET SHARE THROUGH CASH INJECTION. MAKE STARS OUT OF QUESTION MARKS.

b. **HOLD** – MAINTAIN MARKET SHARE. OFTEN USED FOR CASH COWS WHICH ARE ALREADY GENERATING LARGE AMOUNTS OF CASH, AND ARE FAIRLY STABLE.

c. **HARVEST** – INCREASE SHORT-TERM CASH OUTPUT OF THE SBU, EVEN IF THIS RESULTS IN A LOSS OF MARKET SHARE. PUMP CASH FROM DOGS OR CASH COWS INTO STARS OR QUESTION MARKS.

d. **DIVEST** – SELL THE SBU. THIS GENERATES CASH FOR MORE PROMISING SBUs. QUESTION MARKS AND DOGS ARE IDEAL CANDIDATES TO DIVEST.

STRENGTHS OF BUSINESS PORTFOLIO ANALYSIS:

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a. FORCES FIRM TO ASSESS EACH OF ITS SBUs IN TERMS OF RELATIVE MARKET SHARE AND INDUSTRY MARKET GROWTH RATE.

b. REQUIRES FIRM TO FORECAST WHICH SBUs WILL BE CASH PRODUCERS AND WHICH WILL BE CASH NEEDERS.

WEAKNESSES OF BUSINESS PORTFOLIO ANALYSIS:

a. HARD TO GET THE INFORMATION THAT IS NEEDED TO LOCATE SBU IN GROWTH-SHARE MATRIX.

b. OTHER IMPORTANT FACTORS ARE MISSING FROM THIS ANALYSIS SUCH AS POSSIBLE SYNERGIES AMONG THE SBUs WHEN THEY USE THE SAME SALES FORCE OR RESEARCH AND DEVELOPMENT

ii. MARKET-PRODUCT ANALYSIS

IN MARKET-PRODUCT ANALYSIS OPPORTUNITIES ARE VIEWED IN TERMS OF MARKET AND PRODUCT:

a. EACH PRODUCT HAS CURRENT MARKET (EXISTING CUSTOMERS) AND NEW MARKET (POTENTIAL CUSTOMERS)

b. FOR ANY MARKET THERE IS CURRENT PRODUCT (WHAT THEY CURRENTLY USE) AND NEW PRODUCT (SOMETHING THEY MIGHT USE IF IT WERE DEVELOPED).

THE ANALYSIS SUGGESTS FOUR ALTERNATE STRATEGIES;

MARKET PENETRATION IS INCREASING SALES OF PRESENT PRODUCTS IN THEIR EXISTING MARKETS. THERE IS NO CHANGE IN THE PRODUCT LINE, BUT INCREASED SALES TO PRESENT MARKETS ARE POSSIBLE THROUGH ACTIONS LIKE BETTER ADVERTISING, MORE RETAIL OUTLETS, OR LOWER PRICES.

MARKET DEVELOPMENT, THERE IS NO CHANGE IN THE PRODUCT ITSELF BUT DISTRIBUTION IS EXPANDED THROUGH REACHING NEW TARGET MARKETS SUCH AS FOREIGN COUNTRIES. **PRODUCT DEVELOPMENT**

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INVOLVES SELLING A NEW PRODUCT TO EXISTING MARKETS. THERE IS A CHANGE IN THE PRODUCT ITSELF BUT IT IS SOLD TO EXISTING MARKETS.

DIVERSIFICATION INVOLVES DEVELOPING NEW PRODUCTS AND SELLING THEM IN NEW MARKETS. THIS IS A POTENTIALLY HIGH-RISK STRATEGY BECAUSE NEW ACTIONS ARE REQUIRED FOR BOTH MARKETS AND PRODUCTS. RELATED DIVERESIFICATION IS WHEN THE NEW PRODUCT HAS SOMETHING IN COMMON WITH THE EXISTING LINE. IN UNRELATED DIVERSIFICATION THE NEW AND EXISTING LINES HAVE LITTLE IN COMMON.

MARKETING MATTERS

GROWING BY USING MULTIPLE MARKET-PRODUCT STRATEGIES

- MOST FIRMS EMPLOY MULTIPLE GROWTH PATHS
- SINGLE STRATEGIES MAY EVENTUALLY LEAD TO STALLED GROWTH
- STRATUS VINEYARDS USES MARKET PENETRATION IN CANADA, MARKET DEVELOPMENT IN THE U.S., AND PRODUCT DEVELOPMENT (SUCH AS ICE WINES).
- ONE OF THE REASONS WHY FIRMS DO NOT OR CANNOT RELY ON A SINGLE GROWTH PATH OR ONE MARKET-PRODUCT STRATEGY IS BECAUSE THAT SINGLE STRATEGY MAY, EVENTUALLY, LEAD TO STALLED GROWTH.
- HEINZ CANADA, FOR INSTANCE, HAS 90 PERCENT SHARE OF THE JARRED BABY FOOD MARKET IN CANADA AND CANNOT COST-EFFECTIVELY INCREASE ITS MARKET PENETRATION. THEREFORE, THE COMPANY FOCUSES ON MAINTAINING THIS PENETRATION WHILE DEVELOPING NEW PRODUCTS AND NEW MARKETS.

C. TRACKING STRATEGIC PERFORMANCE WITH MARKETING DASHBOARDS AND METRICS

ALTHOUGH MARKETING MANAGERS CAN SET STRATEGIC DIRECTIONS FOR THEIR ORGANIZATIONS, HOW DO THEY KNOW IF THEY ARE MAKING PROGRESS IN

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GETTING THERE? ONE ANSWER IS TO MEASURE PERFORMANCE BY USING MARKETING DASHBOARDS AND METRICS.

i. CAR DASHBOARD AND MARKETING DASHBOARDS

A **MARKETING DASHBOARD** IS THE VISUAL COMPUTER DISPLAY OF THE ESSENTIAL INFORMATION RELATED TO ACHIEVING A MARKETING OBJECTIVE.

ii. DASHBOARDS, METRICS AND PLANS

PERFORMANCE VARIABLES ARE CONSIDERED **MARKETING METRICS**, MEASURES OF THE QUANTITATIVE VALUE OR TREND OF A MARKETING ACTIVITY OR RESULT.

USING MARKETING DASHBOARDS

WHICH PROVINCES ARE UNDERPERFORMING?

THREE YEARS AGO YOU STARTED A BUSINESS TO SELL A SNACK USING TOP SECRET INGREDIENTS THAT BOOST IQ AND STRENGTH.

CHALLENGE

YOU WANT TO GROW SALES AT 10% ANNUALLY. STUDYING SALES IN ALL 10 PROVINCES WOULD WORK, BUT TIME CONSUMING. YOU CHOSE ANNUAL SALES AS YOUR METRIC.

FINDINGS

AT A GLANCE YOU SEE THAT SALES GROWTH IN ATLANTIC CANADA AND ALBERTA IS WEAKER THAN THE 10 PERCENT TARGET, AND SALES ARE DECLINING IN OTHER PROVINCES, TOO.

ACTION

- MARKETING IS OFTEN ABOUT GRAPPLING WITH SALES SHORTFALLS. YOU'LL NEED TO START BY TRYING TO IDENTIFY AND CORRECT THE PROBLEMS IN THE PROVINCES THAT ARE UNDERPERFORMING – IN THIS CASE, ATLANTIC CANADA AND ALBERTA.
- YOU'LL WANT TO DO THE MARKETING RESEARCH TO SEE IF THE PROBLEM STARTS WITH (1) AN EXTERNAL FACTOR LIKE CHANGING CONSUMER TASTES OR (2) AN INTERNAL FACTOR LIKE A BREAKDOWN IN YOUR DISTRIBUTION SYSTEM.

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LEARNING REVIEW

6. WHAT IS BUSINESS PORTFOLIO ANALYSIS?

ANSWER: BUSINESS PORTFOLIO ANALYSIS STUDIES A FIRM'S BUSINESS UNITS AS THOUGH THEY WERE A COLLECTION OF SEPARATE INVESTMENTS. IT IS A TOOL TO DETRMINE THE APPEAL OF EACH BUSINESS UNIT OR OFFERING AND THEN DETERMINE THE AMOUNT OF INVESTMENT EACH SHOULD RECEIVE.

7. WHAT ARE THE FOUR MARKET-PRODUCT STRATEGIES?

ANSWER: MARKET PENETRATION, PRODUCT DEVELOPMENT, MARKET DEVELOPMENT, DIVERSIFICATION

8. WHAT IS A MARKETING DASHBOARD?

ANSWER: IS THE VISUAL COMPUTER DISPLAY OF THE ESSENTIAL INFORMATION RELATED TO ACHIEVING A MARKETING OBJECTIVE.

5. THE STRATEGIC MARKETING PROCESS

LO4 Explain the three steps of the planning phase of the strategic marketing process.

AFTER THE ORGANIZATION ASSESSES WHERE IT IS AT AND WHERE IT WANTS TO GO, OTHER QUESTIONS EMERGE:

- HOW DO WE ALLOCATE OUR RESOURCES TO GET WHERE WE WANT TO GO?
- HOW DO WE CONVERT OUR PLAN TO ACTIONS?
- HOW DO OUR RESULTS COMPARE WITH OUR PLANS, AND DO DEVIATIONS REQUIRE NEW PLANS?

A. STRATEGIC MARKETING PROCESS: THE PLANNING PHASE

THE **STRATEGIC MARKETING PROCESS** INVOLVES AN ORGANIZATION ALLOCATING ITS MARKETING MIX RESOURCES TO REACH ITS TARGET MARKETS. THIS PROCESS IS DIVIDED INTO THREE PHASES: PLANNING, IMPLEMENTATION, AND CONTROL.

THE STRATEGIC MARKETING PROCESS IS USUALLY FORMALIZED IN A **MARKETING PLAN**, WHICH IS A ROAD MAP FOR THE MARKETING ACTIVITIES OF AN ORGANIZATION FOR A SPECIFIED FUTURE PERIOD OF TIME, SUCH AS ONE YEAR OR FIVE YEARS.

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i. STEP 1: SITUATION (SWOT) ANALYSIS

a. THE **SITUATION ANALYSIS** INVOLVES TAKING STOCK OF WHERE THE FIRM OR PRODUCT HAS BEEN RECENTLY, WHERE IT IS NOW, AND WHERE IT IS HEADED IN LIGHT OF THE ORGANIZATION'S PLANS AND THE EXTERNAL FACTORS AND TRENDS AFFECTING IT.

b. REALLY A SHORT-HAND SUMMARY OF THE SITUATION ANALYSIS, **SWOT ANALYSIS** IS AN ACRONYM DESCRIBING AN ORGANIZATION'S APPRAISAL OF ITS INTERNAL STRENGTHS AND WEAKNESSES AND ITS EXTERNAL OPPORTUNITIES AND THREATS.

c. HAVING COMPLETED ITS SWOT ANALYSIS, AN ORGANIZATION OFTEN THEN CONSIDERS FOUR ALTERNATIVE MARKET-PRODUCT STRATEGIES: BUILD ON A STRENGTH, CORRECT A WEAKNESS, EXPLOIT AN OPPORTUNITY, AND AVOID A DISASTER LADEN THREAT. A SWOT ANALYSIS PROVIDES THE FOUNDATION FOR A MARKETING PROGRAM: IDENTIFYING INDUSTRY TRENDS, ANALYZING COMPETITION, AND ASSESSING ITS OWN FIRM.

GOING ONLINE
BEN & JERRY'S FLAVOURS

- BEN & JERRY'S MARKETS FLAVOURS OF ICE CREAM, FROZEN YOGHURT, SORBERT AND NOVELTY BARS. SOLD TO UNILEVER IN 2000
- TEAMED UP WITH "DAVE MATHEWS BAND" AND <SAVEOURENVIRONMENT.ORG> TO FIGHT GLOBAL WARMING BY CREATING "ONE SWEET WHIRLED' ICE CREAM.
- TO SEE CURRENT AND 'DEARLY DEPARTED FLAVOURS', VISIT WWW.BENJERRY.COM

ii. STEP 2: MARKET-PRODUCT FOCUS AND GOAL SETTING.

AN EFFECTIVE MARKETING PLAN REQUIRES A FOCUS — A SPECIFIC GROUP OF TARGET MARKET CUSTOMERS TOWARD WHICH IT IS DIRECTED. THIS REQUIRES:

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a. SEGMENTING THE MARKET. **MARKET SEGMENTATION** INVOLVES AGGREGATING PROSPECTIVE BUYERS INTO GROUPS, OR SEGMENTS, OR PROSPECTIVE BUYERS THAT (1) HAVE COMMON NEEDS AND (2) WILL RESPOND SIMILARLY TO A MARKETING ACTION. UNDERSTANDING THE CUSTOMER IS ESSENTIAL.

b. GOAL SETTING. INVOLVES SETTING MEASURABLE MARKETING OBJECTIVES. IT CAN BE INTRODUCING A NEW PRODUCT.

c. SELECTING THE **TARGET MARKETS** — HAVING EXAMINED SEVERAL ALTERNATIVE MARKETING OPPORTUNITIES, THE ORGANIZATION MUST SELECT THE ONE OR MORE TARGET MARKETS FOR WHICH IT WILL DEVELOP ITS MARKETING PROGRAM. AN IMPORTANT STRATEGIC ISSUE FOR FIRMS TO USE IN SELECTING TARGET MARKETS IS TO BALANCE THE INCREASED EXPENSES AGAINST INCREASED REVENUES.

d. FINDING **POINTS OF DIFFERENCE** FOR THE PRODUCT, THOSE CHARACTERISTICS OF A PRODUCT THAT MAKE IT SUPERIOR TO COMPETITIVE SUBSTITUTES.

e. **POSITIONING** – PLACING THE PRODUCT ON THE MINDS ON THE TARGET MARKET AS A UNIQUE PRODUCT BASED ON IDENTIFIED POINTS OF DIFFERENCE.

LO5 Explain the three steps of the planning phase of the strategic marketing process.

iii. STEP 3: MARKETING PROGRAM.

SELECTING THE TARGET MARKETS TELLS THE MARKETING MANAGER WHICH CONSUMERS TO FOCUS ON AND WHAT NEEDS TO TRY TO SATISFY. STEP THREE (THE HOW ASPECT) INVOLVES:

a. DEVELOPING THE MARKETING MIX - THIS CONSISTS OF STRATEGIES FOR PRODUCT, PRICE, PROMOTION, AND PLACE.

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b. DEVELOPING THE BUDGET - THE BUDGET IS TO ENSURE THAT REVENUES WILL EXCEED EXPENSES AND RESULT IN A PROFIT.

LEARNING REVIEW

9. WHAT IS THE DIFFERENCE BETWEEN A STRENGTH AND AN OPPORTUNITY IN A SWOT ANALYSIS?

ANSWER: BOTH ARE POSITIVE FACTORS FOR THE ORGANIZATION, BUT A STRENGTH IS AN INTERNAL FACTOR WHILE AN OPPORTUNITY IS AN EXTERNAL ONE.

10. WHAT IS MARKET SEGMENTATION?

ANSWER: THIS INVOLVES AGGREGATING PROSPECTIVE BUYERS INTO GROUPS, OR SEGMENTS, THAT (1) HAVE COMMON NEEDS AND (2) WILL RESPOND SIMILARLY TO A MARKETING ACTION.

11. WHAT ARE POINTS OF DIFFERENCE, AND WHY ARE THEY IMPORTANT?

ANSWER: THEY ARE THE CHARACTERISTICS OF PRODUCTS THAT MAKE IT SUPERIOR TO COMPETETIVE OFFERINGS

LO6 Describe the elements of the implementation and evaluation phases of the strategic marketing process.

B. STRATEGIC MARKETING PROCESS: THE IMPLEMENTATION PHASE

THE IMPLEMENTATION PHASE OF THE STRATEGIC MARKETING PROCESS INVOLVES EXECUTING THE MARKETING PLAN AND PUTTING IT INTO EFFECT. THIS INVOLVES THE STEPS SHOWN BELOW:

i. OBTAINING RESOURCES. EXECUTING THE MARKETING PLAN REQUIRES THAT THE RESPONSIBLE MARKETING MANAGER OBTAIN THE PEOPLE AND MONEY NECESSARY TO SUCCEED.

ii. DESIGNING THE MARKETING ORGANIZATION. TO EXECUTE A MARKETING PROGRAM EFFECTIVELY, A MARKETING ORGANIZATION MUST BE DEVELOPED. THE RESPONSIBILITIES OF EACH INDIVIDUAL WITHIN THE MARKETING ORGANIZATION NEED TO BE SPECIFIED, ALONG WITH THE ROLE THEY WILL PLAY IN THE STRATEGIC MARKETING PROCESS WHILE STRIVING TO REACH THEIR MARKETING GOALS.

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iii. **DEVELOPING SCHEDULES.** "MAKING SOMETHING HAPPEN" FOR A MARKETING PLAN REQUIRES SCHEDULING IMPORTANT MILESTONES AND MEETING THEM.

iv. **EXECUTING THE MARKETING PROGRAM.** EFFECTIVE EXECUTION REQUIRES ATTENTION TO DETAIL FOR BOTH MARKETING STRATEGIES AND MARKETING TACTICS.

a. A **MARKETING STRATEGY** IS THE MEANS BY WHICH A GOAL IS TO BE ACHIEVED, CHARACTERIZED BY (1) A SPECIFIC TARGET MARKET, AND (2) A MARKETING PROGRAM TO REACH IT.

b. **MARKETING TACTICS** ARE DETAILED DAY-TO-DAY OPERATIONAL DECISIONS ESSENTIAL TO THE OVERALL SUCCESS OF MARKETING STRATEGIES. EXAMPLES OF MARKETING STRATEGIES AND TACTICS FOR EASTMAN KODAK APPEAR IN THE TEXTBOOK.

C. STRATEGIC MARKETING PROCESS: THE EVALUATION PHASE

THE EVALUATION PHASE OF THE STRATEGIC MARKETING PROCESS SEEKS TO KEEP THE MARKETING PROGRAM MOVING IN THE DIRECTION SET FOR IT. IT HAS TWO KEY ELEMENTS.

i. **COMPARING RESULTS WITH PLANS TO IDENTIFY DEVIATIONS.**

TO KEEP THE MARKETING PROGRAM MOVING FORWARD, MARKETING MANAGERS MEASURE THE RESULTS OF THE MARKETING PROGRAM AND COMPARE THESE WITH PLANS TO IDENTIFY DEVIATIONS FROM THE PLAN. THIS ACTIVITY OFTEN IDENTIFIES A "PLANNING GAP" — THE DIFFERENCE BETWEEN THE PROJECTION OF THE PATH TO REACH A NEW GOAL AND THE PROJECTION OF THE PATH OF THE RESULTS OF A PLAN ALREADY IN PLACE.

ii. **ACTING ON DEVIATIONS.** THE EVALUATION MAY SHOW ACTUAL PERFORMANCE TO BE DIFFERENT FROM THAT EXPECTED.

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a. **CORRECTING A NEGATIVE DEVIATION**, A CORRECTIVE ACTION IS USUALLY NEEDED TO ADJUST AND IMPROVE THE PROGRAM AND HELP IT ACHIEVE THE PLANNED OBJECTIVES.

b. **EXPLOITING A POSITIVE DEVIATION**, THE MARKETING MANAGER WILL ATTEMPT TO UNCOVER THE REASON FOR THE GOOD PERFORMANCE AND ACT TO EXPLOIT IT.

LEARNING REVIEW

12. WHAT IS THE IMPLEMENTATION PHASE OF THE STRATEGIC MARKETING PROCESS?
ANSWER: THE IMPLEMENTATION PAHSE INVOLVES CARRYING OUT OF THE MARKETING PLAN THAT WAS SET IN THE PLANNNING STAGE.

13. HOW DO THE GOALS SET FOR A MARKETING PROGRAM IN THE PLANNING PHASE RELATE TO THE EVALUATION PHASE OF THE STRATEGIC MARKETING PROCESS?
ANSWER: THE PLANNING PHASE GOALS ARE USED AS THE BENCHMARK WITH WHICH THE ACTUAL PERFORMANCE RESULTS ARE COMPARED IN THE CONTROL PHASE.

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APPLYING MARKETING KNOWLEDGE QUESTIONS WITH ANSWERS

1. (a) Explain what a mission statement is. (b) Explain how it gives a strategic direction to its organization. (c) Create a vision statement for your own career.

   Answer:

   a. A mission statement is a brief but inspirational sentence that describes a desirable future state for the overall organization. It should be easily remembered and should provide meaningful direction.

   b. This provides a general strategic direction by giving a broad sense of the products to be provided. It is also inspirational because every customer is seen as being unique.

   c. An example of a vision statement for a student's career might be:

   "to be recognized as an outstanding, environmentally responsible, global marketing executive."

2. What competencies best describe (a) your college or university , (b) your favourite restaurant, and (c) the company that manufactures the computer you own or use most often?

   Answer: Some organizational or business unit competencies for each of these organizations might be:

   a. Your college or university (note these vary along a continuum from research universities to community colleges): a world-class research expertise in...say...biotechnology; student-oriented faculty; or flexible course scheduling to accommodate the special needs of part-time and working students.

   b. Your favourite restaurant: genuine French cuisine; or a family menu at reasonable prices.

   c. The company that manufactures the computer you own or use most often: 24-hour, 800 number help line; or capability of new computer models to run all software designed for older models.

3. Assume you were starting a new business. In terms of competition, how would you differentiate your business from your competition?

   Answer: As a strat up company you will need to find 'point of difference'. For example, many start-up companies introduce newer features not offered by competitors.

4. Why does a product often start as a question mark and then move counter clockwise around BCG's growth-share matrix shown in Figure 2-3?

   Answer: Two General Mills products, Bisquick and Wheaties, illustrate how products might move on the BCG growth-share matrix. Both products have been around for more than 50 years. When they both started, they were question marks because they were innovative products, and there was uncertainty about

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consumers' acceptance of them. In the 1950s both Bisquick and Wheaties could probably be classified as stars because the growth rate of both product categories was very sizeable and these two brands had significant shares of the product categories. Now in the new millennium, the growth rate in both product categories has fallen substantially and there is great competition among competing brands for both Bisquick and Wheaties so they probably fall in the cash cow category. Through judicious marketing General Mills has managed to keep both products as cash cows for more than two decades. While Wheaties has certainly lost market share to a number of new breakfast cereals and Bisquick has also lost some market share to regional competitors, both brands are moving to the right on the horizontal axis shown in Figure 2-3 but don't fall into the "dog" category yet.

5. Many Canadian universities have traditionally offered an undergraduate degree in liberal arts (the product) to full-time 18- to 22- year-old students (the market). How might such an institution use the four market-product expansion strategies shown in Figure 2-4 to compete in the twenty-first century?

Answer:

a. Market penetration. Obtaining a greater share of the full-time 18 to 22-year-old students in the geographic area served by the college.

b. Product development. Offering new courses at either the undergraduate or Master's degree level in areas such as business, computers, or law.

c. Market development. Offering existing liberal arts courses to new markets in the form of correspondence courses, part-time courses for evening students, summer courses, residential courses at local firms, or courses for senior citizens.

d. Diversification. Offering new courses such as those in business or computers to new markets such as those taught within local companies for their employees.

6. What is the main result of each of the three phases of the strategic marketing process? (a) planning, (b) implementation, and (c) evaluation?

Answer: In terms of the strategic marketing process:

a. The planning phase results are formal marketing plans that identify specific objectives to be achieved by a particular time and the specific actions to achieve those objectives.

b. The implementation phase results are formal measurements of the results achieved, which can be compared with the plans established in the planning phase to determine if any deviations from plans occurred.

c. The evaluation phase results are new actions taken to exploit opportunities where deviations from plans are better than expected or corrective actions where deviations from plans are worse than expected.

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7. Select one strength, one weakness, one opportunity, and one threat from the SWOT analysis for Ben and Jerry's shown in Figure 2-6, and suggest a specific possible action that Unilever might take to exploit or address each one.

Answer: In the table below a SWOT element is chosen and a resulting possible action identified:

SWOT Element	Description	Possible Action
An internal strength	Strong brand name.	Leverage brand name, use it on new products.
An internal weakness	Flat sales and profits in recent years.	Look to expanding distribution.
An external opportunity	Growing demand for quality ice cream in overseas markets.	Continue to enter foreign markets.
An external threat	Competes with giant Pillsbury and its Haagen-Dazs brand.	Continue to innovate to stay ahead of its much larger competition.

8. The goal-setting step in the planning phase of the strategic marketing process sets quantified objectives for use in the control phase. What actions are suggested for a marketing manager if measured results are below objectives? Above objectives?

Answer:

a. If measured results for a marketing manager fall below objectives, the manager probably wants to identify the reason for the problem and take actions to correct the problem or, if the problem cannot be solved, to consider abandoning the product or market that poses significant problems.

b. If measured results are significantly above objectives, again the manager wants to identify the reasons for the excellent performance and take actions to exploit or build on these new opportunities.

BUILDING YOUR MARKETING PLAN

1. READ APPENDIX A, "CREATING AN EFFECTIVE MARKETING PLAN." THEN WRITE A 600-WORD EXECUTIVE SUMMARY FOR THE COFFEE BREAK COFFEE HOUSE MARKETING PLAN USING THE NUMBERED HEADINGS SHOWN IN THE PLAN. WHEN YOU HAVE COMPLETED THE DRAFT OF YOUR OWN MARKETING PLAN, USE WHAT YOU LEARNED IN WRITING AN EXECUTIVE SUMMARY FOR THE COFFEE HOUSE TO WRITE A 600-WORD SUMMARY TO GO IN FRONT OF YOUR OWN MARKETING PLAN.

2. USING CHAPTER 2 AND APPENDIX A AS GUIDES, GIVE FOCUS TO YOUR MARKETING PLAN BY (A) WRITING YOUR MISSION STATEMENT IN 25 WORDS OR LESS, (B) LISTING THREE NON-FINANCIAL GOALS AND THREE FINANCIAL GOALS, (C) WRITING YOUR COMPETITIVE ADVANTAGE IN 35 WORDS OR LESS, AND (D) DOING A SWOT ANALYSIS TABLE.

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SUPPLEMENTAL LECTURE NOTE 2-1
PIMS' POOLED BUSINESS EXPERIENCE GUIDELINES FOR BUSINESS PLANNING

BCG'S GROWTH-SHARE MATRIX DEPENDS HEAVILY ON THE PLANNER'S JUDGMENT IN INTERPRETING COMPLEX, OFTEN AMBIGUOUS INFORMATION. THE PROFIT IMPACT OF MARKETING STRATEGY (PIMS) PROJECT, OF THE NONPROFIT STRATEGIC PLANNING INSTITUTE, ATTEMPTS TO OVERCOME THIS SUBJECTIVITY BY USING ACTUAL QUANTITATIVE DATA COLLECTED FROM BUSINESS FIRMS. THIS DATA REPRESENTS A POOL OF INFORMATION ABOUT THE EXPERIENCES OF THE PARTICIPATING COMPANIES.

INFORMATION NEEDED

PIMS COLLECTS ACTUAL DATA ON MORE THAN 3000 SBUs FROM MORE THAN 450 MEMBER BUSINESS FIRMS THAT BELONG TO THE STRATEGIC PLANNING INSTITUTE. THE INFORMATION COLLECTED FROM EACH FIRM INCLUDES MORE THAN 100 DATA ITEMS FOR EACH SBU. THESE ITEMS INCLUDE CHARACTERISTICS OF THE MARKET ENVIRONMENT, THE COMPETITIVE ENVIRONMENT, AND THE STRATEGIES USED BY THE SBU. THESE FACTORS ARE THEN PUT INTO A COMPUTER MODEL TO IDENTIFY WHICH ONES ARE THE BEST PREDICTORS OF TWO KEY PERFORMANCE MEASURES: RETURN ON INVESTMENT (ROI) AND CASH FLOW.

USE IN MARKETING PLANNING

THE PIMS DATA ARE USED (1) TO DEVELOP GENERALIZATIONS ABOUT HOW AN SBU's PERFORMANCE ON ROI AND CASH FLOW RELATES TO THE FACTORS MEASURED AND (2) TO ANALYZE HOW A SPECIFIC SBU COMPARES WITH THE TYPICAL PERFORMANCE IN AN INDUSTRY. FOR EXAMPLE, THE PIMS ANALYSIS SHOWS THAT ROI INCREASES DIRECTLY WITH AN INCREASE IN A FIRM'S MARKET SHARE.

IN ONE FORM OF PIMS ANALYSIS, CROSS TABULATIONS ARE DEVELOPED TO RELATE THE ROI RESULTS FOR THE TWO FACTORS ON THE AXES. PP2-B SHOWS ONE SUCH CROSS TABULATION. THE TWO "CUTTING POINTS" ON EACH AXIS ARE SELECTED SUCH THAT APPROXIMATELY 100 SBUs ARE IN EACH CELL OF THE TABLE. THE NUMBERS IN EACH CELL REPRESENT THE AVERAGE ROI FOR THE SBUs IN THAT CELL.

PP2-B RELATES THE RELATIVE MARKET SHARE (DEFINED BY PIMS AS THE FIRM'S SALES DIVIDED BY THE SUM OF THE SALES OF THE THREE LARGEST COMPETITORS) OF SBUs IN THE SAMPLE TO THE RATIO OF THE SBU's MARKETING EXPENSES AND ITS SALES REVENUE. FOR EXAMPLE, "20" IN THE UPPER LEFT CELL INDICATES THAT THE 100 SBUs THAT HAD BOTH (1) LESS THAN A 6 PERCENT RATIO OF MARKETING EXPENSES TO SALES REVENUE AND (2) LESS THAN A 26 PERCENT RELATIVE MARKET SHARE

ACHIEVED AN AVERAGE ROI OF 20 PERCENT

AN INCREASE IN MARKETING EXPENDITURES HAS LITTLE EFFECT ON MEDIUM- AND HIGH-MARKET SHARE FIRMS (THE MIDDLE AND BOTTOM ROWS, RESPECTIVELY) BUT DEPRESSES ROI SIGNIFICANTLY FOR LOW-MARKET SHARE FIRMS.

THE CROSS TABULATION IS A SIMPLIFICATION BECAUSE IT RELATES ONLY THE FACTORS ON THE TWO AXES TO ROI, BUT THE COMPUTER MODEL HAS THE ABILITY TO SIMULTANEOUSLY ANALYZE THE EFFECT ON EITHER ROI OR CASH FLOW OF MORE THAN 30 FACTORS. PIMS FINDINGS SHOW THAT THE SBU's RELATIVE MARKET SHARE,

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INDUSTRY GROWTH RATE, POSITION IN THE PRODUCTION LIFE CYCLE, AND MARKETING EXPENSE SALES RATIOS ARE AMONG THE MOST IMPORTANT MARKETING-RELATED FACTORS AFFECTING ROI AND CASH FLOW.

STRENGTHS AND WEAKNESSES

STRENGTHS OF THE PIMS POOLED BUSINESS EXPERIENCE ANALYSIS IN ASSISTING MANAGERS IN MARKETING PLANNING INCLUDE (1) THE USE OF OBJECTIVE DATA TO REPRESENT THE ACTUAL EXPERIENCE OF SBUs IN THE SAMPLE, (2) THE SIZE AND BREADTH OF BUSINESS FIRMS AND SBUs IN THE SAMPLE, AND (3) THE IDENTIFICATION OF STATISTICAL RELATIONSHIPS BETWEEN SPECIFIC FACTORS AND ROI AND CASH FLOW. WEAKNESSES INCLUDE THE DIFFICULTY SOME FIRMS AND SBUs HAVE (1) IDENTIFYING AND REPORTING INFORMATION IN THE EXACT FORMAT REQUIRED BY PIMS, (2) ASSESSING THE DEGREE TO WHICH THE PIMS STATISTICAL RELATIONSHIPS CAN BE GENERALIZED TO ALL SBUs IN ALL INDUSTRIES, AND (3) DETERMINING WHETHER CREATIVE MARKETING STRATEGIES DELIBERATELY AT ODDS WITH SOME PIMS FINDINGS MIGHT LEAD TO SUCCESS FOR A SPECIFIC SBU.

_____

Source: Roger A. Kerin, Vijay Mahajan, and P. Rajan Varadarajan, Contemporary Perspectives on Strategic Market Planning, (Needham Heights, MA: Allyn and Bacon, 1990), pp. 72-77; Derek F. Abell and John S. Hammond, Strategic Marketing Planning: Problems and Analytical Approaches, 1979, p. 281. Represented by permission of Prentice-Hall, Inc., Englewood Cliffs, N.J.

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SUPPLEMENTAL LECTURE NOTE 2-2
MARKETING AND BUSINESS PLANS TARGETED AT DIFFERENT AUDIENCES

MARKETING PLANS ARE THE MEANS BY WHICH AN ORGANIZATION ATTEMPTS TO CARRY OUT ITS STRATEGIC MARKETING PROCESS. AS DESCRIBED IN APPENDIX A, LET'S REVIEW TWO KEY TERMS:

- MARKETING PLAN. A ROADMAP FOR THE MARKETING ACTIVITIES OF AN ORGANIZATION FOR A SPECIFIED FUTURE PERIOD OF TIME, SUCH AS ONE YEAR OR FIVE YEARS.
- BUSINESS PLAN. A ROADMAP FOR THE ENTIRE ORGANIZATION FOR A SPECIFIED FUTURE PERIOD OF TIME, SUCH AS ONE YEAR OR FIVE YEARS.

THERE IS NO "GENERIC," ONE-SIZE-FITS-ALL STRUCTURE FOR EITHER A MARKETING OR A BUSINESS PLAN. RATHER, THEY VARY DEPENDING ON FACTORS SUCH AS THE TIME PERIOD, INDUSTRY, AND SIZE AND KIND OF ORGANIZATION INVOLVED. FIGURE A-1 IN APPENDIX A AND GIVEN IN PP2-C SHOW THAT THE ELEMENTS IN A MARKETING PLAN AND BUSINESS PLAN ALSO DEPEND HEAVILY ON (1) WHO THE AUDIENCE IS AND (2) WHAT ITS PURPOSE IS. A MARKETING OR BUSINESS PLAN FOR AN INTERNAL AUDIENCE SEEKS TO POINT THE DIRECTION FOR FUTURE ACTIVITIES AND IS SENT TO ALL INDIVIDUALS IN THE ORGANIZATION WHO MUST IMPLEMENT THE PLAN OR WHO WILL BE AFFECTED BY IT. IF THE PLAN IS DIRECTED TO AN EXTERNAL AUDIENCE — SUCH AS FRIENDS, BANKS, VENTURE CAPITALISTS, POTENTIAL INVESTORS — FOR THE PURPOSE OF RAISING CAPITAL, IT HAS THE ADDITIONAL FUNCTION OF BEING AN IMPORTANT SALES DOCUMENT. IN THIS CASE IT CONTAINS ELEMENTS SUCH AS THE STRATEGIC PLAN/FOCUS, ORGANIZATION, AND BIOGRAPHIES OF KEY PERSONNEL THAT WOULD RARELY APPEAR IN AN INTERNAL PLAN. ALSO, THE FINANCIAL INFORMATION SHOWN IN THE APPENDIX IS FAR MORE DETAILED WHEN THE PLAN IS USED TO RAISE CAPITAL, AND WHEN PROSPECTIVE INVESTORS ARE TOLD HOW THEY WILL GET THEIR MONEY BACK AND EARN A PROFIT ON THEIR INVESTMENT. BUT EVEN INTERNAL MARKETING AND BUSINESS PLANS OFTEN HAVE AN OBJECTIVE OF JUSTIFYING A REQUEST FOR FINANCIAL RESOURCES. IN CONTRAST, PLANS SENT TO EXTERNAL AUDIENCES WOULD RARELY CONTAIN CONTINGENCY PLANS THAT MIGHT APPEAR IN AN EVALUATION AND CONTROL SECTION OF THE PLAN.

AS SHOWN BY COMPARING COLUMNS IN THE TABLE FOR MARKETING AND BUSINESS PLANS, THE ELEMENTS OFTEN VARY. A KEY DIFFERENCE BETWEEN A MARKETING PLAN AND A BUSINESS PLAN IS THAT THE BUSINESS PLAN CONTAINS DETAILS ON THE R&D/OPERATIONS/MANUFACTURING ACTIVITIES OF THE ORGANIZATION. AS NOTED IN APPENDIX A, EVEN FOR A MANUFACTURING BUSINESS, THE MARKETING PLAN IS PROBABLY 60 OR 70 PERCENT OF THE ENTIRE BUSINESS PLAN. FOR SMALL RETAIL BUSINESSES, THEIR MARKETING AND BUSINESS PLANS ARE VIRTUALLY IDENTICAL.

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ALTERNATE CASE – YOUTUBE
Chapter 2: Developing Successful Marketing Strategies

WHAT IS YOUTUBE?

Founded in 2005, YouTube is a consumer media company for people to watch and share original videos worldwide via the Internet "for free." Originally started as a personal video sharing service, it has grown into an entertainment destination with people watching more than 100 million videos on the site daily. Everyone can watch videos on YouTube—both on YouTube.com and across the Internet. People can see first-hand accounts of current events, find videos about their hobbies and interests, and discover the quirky and unusual. In short, YouTube is a place for people to engage in new ways by sharing, commenting on, and viewing videos.

With YouTube, people can upload, tag, and share videos worldwide; browse millions of original videos uploaded by community members; find, join, and create video groups to connect with people who have similar interests; customize their experience by subscribing to member videos, saving favourites, and creating playlists; integrate YouTube videos on other Web sites; and make videos public or private.

YouTube is basically a community for personal videographers, musicians, amateur filmmakers and comedians, and professional content owners. The service is extremely viral, that is, if community members have a lot of talent and their content is really creative, users will be more likely to share the videos. The explosion in consumer devices with video capability gives users control over the videos they record, watch, and share, and YouTube is designed to make that experience as easy and entertaining as possible. Unlike traditional broadcast channels, which have set windows of time for their programming, on YouTube, people can watch what they want, when they want. Anyone can be a broadcaster by creating content and distributing it through YouTube. And the YouTube community decides what is popular through its ratings and comments features.

TRAFFIC AND STATISTICS

YouTube currently serves 100 million videos per day, with more than 65,000 new videos uploaded daily. According to Hitwise, YouTube videos account for 60 percent of all videos watched online, and people spend an average of 17 minutes per session on the site. According to Nielsen NetRatings, YouTube has nearly 20 million unique users per month. The user base for YouTube is primarily individuals worldwide between 18 and 49, but is skewed to the younger end of this demographic. In fact, most of the videos are frivolous, produced by and for teenagers. But some are serious. YouTube includes videos posted by terrorists, human rights groups, and soldiers in Iraq. Some videos are clips of incidents that have political consequences or that document important trends, such as global warming, illegal immigration, and corruption.

BUSINESS MODEL

A *business model* is how a company makes it money. In the case of YouTube, it uses an advertising-based business model. In other words, advertisers pay and the users of YouTube obtain the service for free. But YouTube is also exploring a range of other revenue-generating possibilities, including promotions, sponsorships, contextual-based advertising, and traditional

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banner advertising. Still, YouTube says that it remains committed to providing the best consumer experience to watch, upload, and share videos, and will not engage in activities that detract from this experience.

INDUSTRY MARKET SIZE

The online advertising market continues to grow, increasing at double-digit annual growth rates. Online advertising spending in the United States is estimated at over $13 billion; in Canada, it is over $1 billion. With the explosion of Internet video, the increase in home broadband access, and the number of consumers spending more time on the Web, companies are shifting their advertising budgets from traditional TV advertising to the online video market. This presents a significant market opportunity for YouTube.

GOOGLE ACQUIRES YOUTUBE

In late 2006, Google Inc. agreed to acquire YouTube for US$1.65 billion in a stock-to-stock transaction. However, YouTube continues to operate independently to preserve its brand and community. The acquisition combines one of the largest and fastest-growing online video entertainment communities with Google's expertise in organizing information. This acquisition creates new models for advertising on the Internet. The combined companies now focus on providing a better, more comprehensive experience for users interested in uploading, watching, and sharing videos, and offer new opportunities for professional content owners to distribute their work to reach a vast new audience.

"The YouTube team has built an exciting and powerful media platform that complements Google's mission to organize the world's information and make it universally accessible and useful," said Eric Schmidt, chief executive officer of Google. "Our companies share similar values; we both always put our users first and are committed to innovating to improve their experience. Together, we are natural partners to offer a compelling media entertainment service to users, content owners and advertisers." "Our community has played a vital role in changing the way that people consume media, creating a new clip culture," Chad Hurley, CEO and co-founder of YouTube says, "By joining forces with Google, we can benefit from its global reach and technology leadership to deliver a more comprehensive entertainment experience for our users and to create new opportunities for our partners."

With the acquisition, YouTube retains its distinct brand identity, strengthening and complementing Google's own fast-growing video business. With Google's technology, advertiser relationships, and global reach, YouTube continues to build on its success as one of the world's most popular services for video entertainment. Still, some experts question the price tag of the Google purchase since YouTube had been profitless to that point. What, in essence, some experts question, was Google really buying? Moreover, besides being profitless, YouTube now says it will start sharing its revenue with the content providers. This move is in response to the fact that many of its competitors are already sharing revenue with their content providers.

THE YOUTUBE EFFECT

According to experts, the "YouTube effect" carries with it mixed blessings. It is now harder to know what to believe. How do we know that what we see in a video clip posted by a "citizen

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journalist" is not a montage? How do we know, for example, that the YouTube video of terrorized soldiers crying and praying for their lives while under fire was filmed in a terrorist-based country and not staged somewhere else to manipulate public opinion? Governments are already feeling the heat of the YouTube effect. For example, the U.S. military recently ordered its soldiers to stop posting videos unless they have been vetted. The Iranian government restricts connection speeds to limit its people's access to video streaming. And, though Beijing has been effective in censoring the content that its citizens can view, China has yet to figure out a way to prevent a growing number of videos of peasant rebellions from being posted online.

When it comes to having faith in what we see online, the good news is that the YouTube effect is already creating a strong demand for reliable guides—individuals, institutions, and technologies that can be trusted to help sort facts from lies. According to experts, this is important because the hope of countering the downsides of the YouTube effect may never come from government intervention. Experts suggest that markets and democracy do a much better job of filtering the bad from the good when it comes to the growing number of videos on the net. Millions of bloggers who are constantly watching, factchecking, and exposing mistakes are a powerful example of "the wisdom of crowds" at work. But, ultimately, many are asking, can and should YouTube and its effects be harnessed and regulated, or openly promoted?

QUESTIONS

1 How can YouTube better penetrate its market: advertisers looking to advertise?
2 What other market-product strategies could YouTube use to generate revenue?
3 Outline YouTube's competition and how the company can respond to competitive threats.
4 Examine the societal impact of YouTube. What is the upside and downside of the YouTube effect?
5 Many media companies have filed lawsuits against You-Tube claiming that the company profits from massive copyright infringement of television programs and feature films shown on its Web site. Could such claims spell the end of YouTube as we know it?

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TEACHING NOTE FOR ALTERNATE CASE – BEST BUY

Synopsis

Best Buy began as a small specialty audio retailer in 1966. Today the company is the world's largest consumer electronics retailer. While many factors contributed to Best Buy's success, one of the most important is its focus on understanding consumer behavior. Best Buy has used consumer research to better understand customer needs and wants and to guide its decisions about the operation of its stores. Some changes that were driven by Best Buy's understanding of consumers include its shift to discounted prices, the creation of superstores, and the elimination of commissioned sales representatives. Most recently, Best Buy adopted a "customer centricity" approach to connecting with customers. The approach has used research to improve store design, merchandise offerings, and services as it seeks to connect with customers and differentiate itself from Walmart, Costco, and other mass marketers and consumer electronics retailers.

Teaching Suggestions

1. Ask your students what customer electronics products they have purchased recently. Cell phones, computers, televisions, and music players are likely responses. Ask some of the students to describe their purchase decision process, possible using the steps described in Figure 5-1 (problem recognition, information search, alternative evaluation, purchase decision, and post-purchase behavior).

2. Consumer electronics are available through many channels, including: catalogs, online retailers, and retail stores. Ask your class to create a list of the channels they use, and the benefits (e.g. product information, connectivity and add-on products, services and warranties, rebates and payment terms, etc.) they seek from each channel.

3. Many students will be familiar with Best Buy and some of them will have made recent purchases at a Best Buy store. Ask them to describe their experience and any elements of "customer centricity" that they noticed. You also might ask them to describe other stores where they have shopped for electronics. The experience is likely to be significantly different at stores such as Walmart, Costco, and local retailers.

Questions

1. **How has an understanding of consumer behavior helped Best Buy grow from a small specialty audio retailer to the world's largest consumer electronics retailer?**

   Understanding consumers led Best Buy to:

   a. **Expand its product and service offerings**. Best Buy went from selling audio equipment in small stores to selling a wide variety of audio, video, computing, printing, communications, services, and appliances in larger superstores.

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b. **Change its business model**. It switched from a high margin/low turnover traditional retailer to a low margin/high turnover discounter to broaden its customer appeal.

c. **Switch to non-commissioned sales people**. Research indicated that most customers wanted information and advice about products but didn't like the pressure of commissioned sales people.

d. **Adopt customer centricity**. Research indicated that all customers were not alike. It found that the existing stores underserved some customers. Different customer segments had different needs. Five customer segments were identified. Stores were categorized by segment with changes in product mix, store layout, and staffing. Many stores were designed to appeal to multiple customer segments.

e. **Implement changes to address shopping differences between male and female customers**. Research indicated that female customers spent $68 billion on customer electronics annually and influenced over 89% of all purchases. However, women found Best Buy an intimidating place to shop. Men tended to know more about technology and what they wanted whereas women tended to know less about consumer electronics products and needed more information. Men needed less help and women needed more help. Men tended to focus on a product whereas women tended to seek information on a broader scope, which required more time and information. Best Buy changed its stores and employee training to better appeal to women.

f. **Train sales personnel**. Best Buy provides training that covers the basics plus how to customize the sales approach for each customer. Many stores now go a step further in personalization by offering personal shoppers who work with a customer across all departments. While this was developed for and used primarily for women, an increasing number of users of the service are men.

g. **Continually adjust its customer centricity approach**. Research and sales analysis continues to provide new information and has led to continuous adjustments to the original approach. "Jill," the soccer mom segment, was found to be too narrow. It has morphed toward a female friendly store.

2. What were the advantages and disadvantages of using "customer centricity" to create five segments of Best Buy customers?

a. **Advantages**

- The most important advantage is an improved customer experience. This usually translates to higher levels of satisfaction, repeat sales, and loyalty.
- Stores can be set-up to appeal to the appropriate segment(s) in terms of product/ service mix, physical layout, and visual merchandising. Sales and service personnel can be hired and trained to create a better experience for the segment(s) served at a particular store.
- Sales and service personnel can be trained to understand the different segments and customize and personalize the selling process.

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- Sales at customer centric stores increased faster than non-customer centricity stores.

b. **Disadvantages**
   - Not all customers fit neatly into the five customer segments identified by Best Buy research. Segmentation creates stereotypical categories that may not always apply.
   - Sales and service personnel may not be able to individualize the sales process.
   - Store remodeling is expensive—it might cost as much as $600,000. How long is the payback period and what is the return on investment?
   - Will all customers be comfortable in a store not tailored to "their" segment? Focusing too tightly on one segment may make it confusing for other segments.

3. How are men and women different in their consumer behavior when they are shopping in a Best Buy store?

a. Men seem to be more attracted to gadgets of all kinds. Males like to learn about how things work and their features while women are more interested in the function and benefits of consumer electronics.

b. Males come to the store with more information and need less help. Women often come to the store to get information, may be intimidated by technology, and need more help.

c. The purchase process for males tends to be more linear whereas it tends to be more multi-dimensional for women. As a result, males tend to make their decisions faster than women. Men tend to be more transactional while women tend to me more relationship-oriented.

4. What are two or three (*a*) objective evaluative criteria and (*b*) subjective evaluative criteria female consumers use when shopping for electronics at Best Buy?

a. **Objective evaluative criteria**. Female consumers might evaluate:
   - Aisle size and store layout.
   - Interior store colors and visibility of stock/inventory.
   - Noise and music levels in the store.

b. **Subjective evaluative criteria**. Female consumers might evaluate:
   - Friendliness of the sales and service personnel.
   - Similarity of store displays to home (Are they warm and inviting?).
   - Simplicity of answers to questions.

5. What challenges does Best Buy face in the future?

a. Consumers' interests and consumer behavior are constantly changing. Best Buy must continue its efforts to understand consumers and respond to their changing interests.

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b. Best Buy's customer centricity model requires higher expenses for store remodeling and staffing. Will this place Best Buy at a disadvantage compared to price-oriented competitors such as Walmart and Costco?

c. The size and composition of the consumer segments may change as the demographics of the population change. Best Buy may find that stores need to be changed again as the demographics of shoppers change over time.

d. International expansion. Opening new stores outside of the U.S. may preoccupy management's attention to the detriment of domestic stores. Can or should the customer centricity model be applied to stores in other countries?

Epilogue

Much of Best Buy's customer centricity approach has focused on the store appearance and the experience provided by store employees. Now, Best Buy also is trying to make sure that many of the best things about shopping online can also be found in the store. For example, Best Buy is training its employees to use the Internet to: (1) be as knowledgeable about their products as savvy customers will be; (2) make comparisons with other stores and products; and (3) check inventory and delivery schedules.

In addition, Best Buy is preparing for consumers who want integrated solutions to their needs. Many employees are being trained to know products throughout the store and how the products work together. This type of training anticipates questions such as 'Which computers and laptops work best together?' or 'Which memory card is best for a particular digital camera?' Employees are encouraged to meet with manufacturers' reps when they are in the store and to play with the products when consumers are not in the store!

Finally, Best Buy has added marketing activities to ensure customer satisfaction. One marketing campaign used the tag line "They'll be happy, you'll be happy, we'll be happy." According to Barry Judge, "Happy customers is a long-term strategy for us. If they're happy, they'll want to buy more." Another new activity is its new Web site, BestBuyMobile.com. To help consumers before they visit a store, the Web site contains news, employee blogs, product reviews, and product images!

Chapter 2: Developing Successful Marketing Strategies
Langley Green Gardens

"We're never going to get this plan approved, Luke. I mean, look at our marketing objective: it is not even in line with the president's overall goal for the company." Amanda Patel glanced down despairingly at the document that she and her assistant, Luke Saunders, had just spent several weeks developing. The deadline for submission of the 2009 Marketing Plan to the president was only two weeks away. Somehow she and Luke were going to have to rework their entire draft plan before that deadline. At least, that is what she was thinking at that moment. "Look, I am really upset right now. Why don't we get together this afternoon after I have had time to settle down a little?" Luke quickly agreed and left Amanda's office with the promise to return right after lunch.

Amanda sat back in her chair and reviewed events of the past few weeks. How had she managed to back herself into a corner like this and how was she going to get out of it?

Amanda was marketing manager of packaged seeds in the Consumer Products Division of Langley Green Gardens Limited in Vancouver, British Columbia. Langley was a medium-sized, private firm that had been in business for over twenty years. The founder, Gordon Lee, still owned and operated it, and acted as president. It had started as a seed company, supplying both the consumer and business market with high quality vegetable, fruit, and flower seeds. Over the years Langley had expanded into small plants, fertilizers, gardening tools, and other similar, related products. Overall the company was successful, due largely to Gordon Lee's business acumen.

Two months previously, Gordon had called a meeting of all managers to discuss the planning cycle for the next fiscal year. He had already mapped out the overall corporate goal for next year in conjunction with his two senior managers, and now he wanted to share this with his other managers. Gordon had analyzed a great deal of data in preparing the corporate goal. He believed that the current economic turmoil, originating south of the border and now affecting the Canadian economy, was going to continue, and he believed it would exert a negative influence on Langley. He presented his overall target for next year: a revenue increase of +3% in dollar sales. Gordon did not believe the company could expect any volume increase and was forecasting the +3% based solely on a price increase of the same amount. "This is a conservative estimate, I know, but there is a lot of uncertainty surrounding 2009. I want to err on the side of caution."

This came as a shock to Amanda because her own ongoing trend analysis suggested a much stronger forecast. Over the past three years her volume sales had been increasing at an annual rate of approximately 3.5-4%, and she had every reason to believe this would continue, if not accelerate. Her research revealed a back-to-nature trend, fuelled by the green movement, from which her business was benefiting substantially. She had trouble believing that this trend was suddenly going to come to a halt. Furthermore, she had not implemented a price increase in over three years, made possible by the strong anti-inflationary measures of the Bank of Canada.

As she sat listening to Gordon, she really had to wonder what was driving Gordon's predictions. Furthermore, and more importantly for Amanda, she was alarmed that she and Gordon were viewing the marketplace so differently. She had been slowly working through a tentative approach to her 2009 Marketing Plan over the past several months, reviewing sales data as they became available, tracking competitors' activities, and constantly reading the general business news. Her forecast was a great deal more optimistic than Gordon's. How was she going to convince Gordon that her outlook was much more likely than his?

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When the meeting ended, Amanda approached Gordon and carefully expressed her concern – carefully because Gordon had a reputation for not responding graciously to others' opinions when they differed from his own. However, he was surprisingly open to Amanda's comments and suggested that they get together along with Amanda's immediate manager, the director of the Consumer Products Division, and chat further.

Later that week, they did just that. Amanda and her manager, Andy Wishart, held their own meeting before the meeting with Gordon, and he was largely supportive of her position. He added, "Your research justifies your stance on this, but you have to admit that Gordon' points are strong, too. I am going to leave it to you to defend yourself in our upcoming meeting. This is your chance to really demonstrate your capabilities to Gordon."

The meeting went reasonably well. Amanda laid out all her evidence to demonstrate why a sales volume increase made sense for packaged seeds for 2009. She also noted that a price increase, such as Gordon was suggesting, could well damage her ability to meet the forecast. Gordon frowned. He believed that a price increase would have a negligible impact on sales volume; that is, sales volume would be flat regardless of any price increase taken or not taken. This was because, as he explained it, the company would be able to implement a 3% price increase because of inflationary pressures in general. Food products in grocery stores had already increased by far more than 3% over the past six months. By the time Langley's own price increase occurred, no one would give it a thought.

As the meeting came to a conclusion, Gordon summarized the main points under discussion. "Although you have presented several convincing arguments, Amanda, I still think that our overall approach to 2009 has to be conservative. I fully expect some areas of the business to do better than others in the coming year, but let me be clear: your 2009 Marketing Plan has to be consistent with the corporate objectives and strategies and with your own division's objectives and strategies" – and here he nodded to Andy. "I leave it to you."

As she and Andy left the president's office, Andy suggested that they get together later that day, along with Luke, and review how they were going to proceed. So, at 3:30 P.M. the three of them began their meeting. Amanda presented her case forcefully to leave her forecast intact. She also insisted on recommending no price increase in her Plan. As she pointed out, "The net effect on dollar sales will be negligible. So Gordon cannot argue against it." Andy decided to go along with it. After all, as Langley was structured, Amanda herself was responsible for obtaining approval for her 2009 Plan since Gordon reserved the right to "micro manage" the marketing function.

Over the following weeks, Amanda and Luke developed the Marketing Plan for packaged seeds. The morning on which this story opened, though, Amanda received a blow. Gordon sent her an e-mail, reminding her that her plan had to be consistent with his corporate plan. Did this mean that she would have to redo all her and Luke's hard work? Did it mean that the marketing plan for every Langley product line had to be exactly the same? If some parts were in line (for example, consistent with Langley's mission statement), was this enough? How should Amanda proceed?

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Chapter 2: Developing Successful Marketing Strategies
Langley Green Gardens
Teaching Note

This case can serve as an instructive way for students to learn how the planning process may unfold in the real world. Although the textbook seems to suggest that planning occurs in an orderly fashion, this is not necessarily always so. Differing views on the impact of future events in the external environment can result in widely different assessments of "where do we want to go?" – as indeed is amply demonstrated in the case. As well, although not an overt issue in this case, battles over access to a company's scarce (financial) resources can also affect "where do we want to go?" kinds of analyses.

Thus, in the real world, there may be a great deal of to-ing and fro-ing as managers at various levels in a firm reconcile their differing perspectives.

Amanda and Gordon have different outlooks on the economic environment and its possible impact on Langley's business. Where two views differ in the real world, it is almost always the senior manager's view that prevails – at least, in this author's experience! Thus, students with some business experience may argue that Amanda should just do what Gordon tells her to do (forecast flat volume sales and a +3% price increase) and stop trying to win Gordon over.

However, some students may argue, and justifiably so, that Amanda has been given some "wiggle room" within which she can recommend her own plan and still be consistent with what Gordon wants to see. For example, Amanda feels strongly that her more robust sales forecast is achievable even though it is not in line with the corporate objective. So what? Just how much in line does an individual product line's marketing plan have to be? Remember, too, that in this case Amanda thinks that her 2009 dollar sales will still meet the forecast that Gordon wants: her more aggressive volume sales forecast will offset the absence of a price increase.

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Chapter 1: Creating Customer Value, Relationships, and Experiences through Marketing

Questions

1. What are the needs and wants of Famoso's consumers?

   See Learning Objective 3.

2. How does Famoso satisfy consumer needs? Does the conventional marketing process of discovering and satisfying customer needs really work for Famoso?

   See Learning Objective 3, figure 1-2 as well as section "But Wait, What About High-Technology or New-to-World Products?"

3. Which are some of the uncontrollable forces that impact Famoso's marketing program?

   See Learning Objective 4.

4. Based on the information provided, what business orientation does Famoso Inc. potentially follow?

   See Learning Objectives 6 and 8.

Chapter 2: Developing Successful Marketing Strategies. Famoso Inc. Marketing Strategy

Questions

1. Where does Famoso Inc. want to go? Please develop a Market-Product Analysis

   See Learning Objective 3, as well as figures 2-3 and 2-4.

2. What are the goals or objectives of Famoso Inc.?

   See Learning Objective 2.

   "to provide an excellent guest experience and the maximum goal is that the guest leaves happy"
   "Sales growth"
   "being profitable"
   "quality-driven concept"

3. Which are the special capabilities (skills, technologies and resources) that distinguish Famoso Neapolitan Pizzeria from competitors and provide value to its customers?

   See Learning Objective 2.

4. Which tools does Famoso Inc. use to assess the success or failure of marketing programs?

   See Learning Objective 4.

   "word-of-mouth and willingness to recommend, & ROI"

   Points to consider: Famoso has grown only 4 franchises from 2014 to 2016. Sales has been stable.

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Chapter 3: Scanning the Marketing Environment. What are the Opportunities and Threats for Famoso Inc.? An Environmental Scanning

Questions

1. Does Famoso Inc. belong to: Full-service or limited-service restaurants?

   On a first impression Famoso would fit in limited services eating places given that consumers order and pay in the counter. However, the updated Famoso brings a server to the consumer which is why Famoso can also belong to full-service restaurants.

2. Classify key trends and developments provided above in terms of environmental forces: whether they belong to social, economic, technological, competitive, or regulatory forces.

   See Figure 3-1, and Learning Objectives 1, 2 and 3.

3. How can key trends and developments affect current and future Famoso Inc. marketing strategy?

   Learning Objectives 1, 2 and 3.

   Social media trends are having a marked impact on consumer foodservice, resulting in many chained players shifting their strategy to increasingly focus on social media marketing. The low cost of social media marketing is also however resulting in a growing number of independent players gaining a presence in this area. Many millennials are meanwhile attracted by independent outlets, viewing these as more authentic than chains, with a strong Facebook or Twitter presence thus being important to independents seeking to build a brand identity and consumer loyalty. Larger players are however also increasingly investing in technology designed to capitalise on the widening ownership of smartphones. In specialist coffee shops, Starbucks for example launched its Mobile Order & Pay system for 300 stores in the Toronto area, with this enabling consumers to order via smartphones and select a Starbucks for order collection. This app is also both a payment method and a loyalty programme[1].

   Aging trends are impacting consumer foodservice in a number of different ways. Vegan pizza is notably gaining popularity in Canada, having been an insignificant niche prior to the review period. In Canada, Panago Pizza and Pizza Nova notably offer vegan options, while the latter also offers Canadian pepperoni from animals reared without antibiotics or hormones and fed on a vegetable/grain diet. There was also a growing focus on provenance, with Canadian ingredients notably featuring on a widening range of menus. Juice/smoothie bars notably increasingly highlighted locally sourced foods towards the end of the review period, such as leafy greens. There was also growing demand for nutritional information on

[1] Excerpts taken from Passport (2016). Consumer food service in Canada. Euromonitor International, June. Accessed December 13, 2016..

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menus, while the promise of organic ingredients can also often encourage consumers to pay a premium[2].

Millennial consumer preferences are meanwhile shaping many consumer foodservice players' strategies. A focus on appealing to consumers is shaping décor, menus, service and ingredients in consumer foodservice. Millennials' demand for authenticity for example encouraged many outlets to offer a widening range of craft beer, while craft spirits are also growing from a low base. Some full-service restaurants also began to offer smoked or cured food produced in-house. In terms of décor, a key trend in 2015 was meanwhile for a blend of old and new, such as A&W's "hip nostalgia" store format and Second Cup's "Steampunk" coffee brewing system. Millennials' interest in authentic and adventurous flavours meanwhile benefited food trucks and street food markets within street stalls/kiosks, with popular events such as the Columbia StrEAT Food Truck Fest in Vancouver. In addition, this supported strong growth in Asian consumer foodservice, with Japanese and Thai fast food outlets in particular seeing good growth. A focus on customisation meanwhile benefited gourmet burger players such as The Works, which offers a choice of nine burger patties and over 60 toppings, including distinctive options such as Lean Elk, caramelised onions and brie[3].

Millennials are expected to become an increasingly significant force shaping strategies in consumer foodservice, as these consumers age and their earning potential rises. This is expected to result in some players making a marked shift in strategy as they seek to appeal to this group. McDonald’s is for example increasingly concerned about the competition posed by gourmet burger chains with a strong focus on customisation. The chain has thus announced that it will offer customisation for the first time by the end of 2017, with Self-Order Kiosks offering five cheese choices and 12 toppings. The chain will also increase its focus on customer service by employing Guest Experience Leaders to greet customers and table service. Within specialist coffee shops, Starbucks is meanwhile planning to dramatically branch out with the introduction of an evening wine, beer and tapas menu, while also introducing home delivery.

However, the strong influence of social media on millennials makes trends within this group sometimes difficult to predict. Negative online coverage could thus have a marked impact on a brand's appeal, while conversely positive coverage could result in sales soaring. This is expected to result in a growing focus on ethical and charity initiatives, which tend to see strong positive coverage online. Leading chain Tim Hortons for example donated CAD100,000 to Fort McMurray Wildfire Relief Efforts in May 2016, while also contributing 100% of its coffee sales on 1 June in the year to the Tim Horton Children's Foundation (THCF). This will enable more than 19,000 low-income children to enjoy a stay at a THCF Camp[4].

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[2] Excerpts taken from Passport (2016). Consumer food service in Canada. Euromonitor International, June. Accessed December 13, 2016..
[3] Excerpts taken from Passport (2016). Consumer food service in Canada. Euromonitor International, June. Accessed December 13, 2016..
[4] Excerpts taken from Passport (2016). Consumer food service in Canada. Euromonitor International, June. Accessed December 13, 2016..

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Independents struggle as competition intensifies. Growth in consumer foodservice in 2015 was almost entirely driven by chains, with independents seeing overall sales stagnate. Chained players benefit from stronger economies of scale, with this enabling them to cater to consumer demands for premiumisation without sharp price increases. The leading chains are thus shifting towards higher-quality, healthier and more ethical ingredients, while independents are struggling to compete. There are some areas where independents are outperforming chains, however, such as street stalls/kiosks and bars/pubs. Millennials in particular often prefer independent outlets in these channels, viewing these as offering greater individuality and authenticity[5].

Focus on premiumisation, ethics and convenience. Chains will continue to drive growth in consumer foodservice in the forecast period, supporting a slightly stronger value growth at constant 2015 prices in comparison to the review period. There is expected to be a strong focus on offering higher-quality and more ethical ingredients, with a number of leading players such as McDonald's for example shifting to cage-free eggs. There is also expected to be a growing focus on convenience, with online ordering and app-based payment systems notably likely to feature increasingly prominently[6].

[5] Excerpts taken from Passport (2016). Consumer food service in Canada. Euromonitor International, June. Accessed December 13, 2016..
[6] Excerpts taken from Passport (2016). Consumer food service in Canada. Euromonitor International, June. Accessed December 13, 2016..

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Chapter 4: Ethics and Social Responsibility for Sustainable Marketing. How Can Famoso Inc. Integrate Social Responsibility in its Marketing Strategy? The Role of Personal Moral Philosophy

Questions

1. Is Famoso Inc. and its stores doing enough to be societal responsible? If not, how can they apply the concept of triple-bottom line?

   See Learning Objective 3.

2. From a marketing perspective, what are the implications if the great majority of Famoso consumers would follow moral idealism as a personal philosophy?

   See Learning Objective 2.

3. From a marketing perspective, what are the implications if the great majority of Famoso consumers would follow utilitarianism as a personal philosophy?

   See Learning Objective 2.

4. What are the five steps that Famoso Inc. needs to follow to develop a social audit?

   See Learning Objective 3.

Chapter 5: Consumer Behaviour. The Purchase Decision Process of Famoso's Consumers

Questions

1. What is the Famoso's consumer purchase decision process?

   See Learning Objective 1.

2. What are the evaluative criteria and the potential consideration set of consumers in the fast food and full-service restaurant industry?

   See Learning Objective 1.

3. What is the level of Famoso's consumer involvement in the purchase process?

   See Learning Objective 2.

4. What are the psychological factors that influence (or may influence) Famoso's consumer purchase decision process?

   See Learning Objective 3.

5. What are the situational and socio-cultural factors that influence (or may influence) Famoso's consumer purchase decision process?

   See Learning Objective 4.

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Chapter 6: Understanding Organizations as Customers. How Can Famoso Inc. Seize the Opportunity of Targeting Corporate Buyers?

Questions

1. What are the key characteristics of organizational buying that may influence directly Famoso Inc.?

   See Learning Objective 2.

2. Which are the critical organizational buying criteria that may influence corporate decision to buy from Famoso pizzerias?

   See Learning Objectives 2 and 3.

3. Does the organizational buying process matter for Famoso Inc.? If so, why?

   See Learning Objective 3 and 4.

Chapter 7: Reaching Global Markets. Famoso Inc. Targets US Consumers

Questions

1. Please develop a short international environmental scan for Famoso Inc. entering the US.

   See Learning Objectives 2 and 3.

2. Which international market entry strategy may be for Famoso Inc. most suitable to follow?

   See Learning Objective 4.

3. Would it be reasonable to suggest Famoso Inc. to follow a standardized product and price strategies?

   See Learning Objective 5.

Chapter 8: Marketing Research: From Information to Action. How Can Famoso Leverage Social Media for Marketing Research? Are they Doing Enough?

Questions

1. How can Famoso Inc. continue to use social media to do exploratory and descriptive research?

   See Learning Objective 1 and Learning Objective 4.

2. Which type of studies would Famoso Inc. benefit the most?

   Qualitative: buying criteria?
   Quantitative: profile studies, branding studies, awareness, attitudes and opinions, lifestyle

3. Develop a short questionnaire to test how well Famoso Neapolitan Pizzeria is doing in your city and to determine which evaluative criteria consumers are using when choosing a pizzeria.

   See Learning Objectives 3 and 4.

4. What kind of research they need to do before deciding to enter the US?

   Exploratory, Secondary research.

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Chapter 9: Market Segmentation, Targeting, and Positioning. What is the Target Market of Famoso Neapolitan Pizzeria?

Questions

1. What are the dimensions/ways Famoso Inc. uses to segment markets?

   See Learning Objectives 2 and 3.

2. What other dimensions/ways can Famoso Inc. use to segment markets?

   See Learning Objectives 2 and 3.

3. What is the current positioning of Famoso Neapolitan Pizzeria?

   See Learning Objectives 4 and 5.

4. Write a positioning statement for Famoso Neapolitan Pizzeria

   See Learning Objective 5.

Chapter 10: Developing New Products and Services. Concept Test of a New Product

Questions

1. How could you classify Famoso Inc. innovations: as continuous or discontinuous?

   See Learning Objective 3.

2. Generate 3 ideas of a new Pizza for Famoso

   See Learning Objective 5.

3. Screen and evaluate these three ideas generated using the external approach method

   See Learning Objective 5.

4. Assuming your idea has a business fit and that Famoso Inc. decided to develop it, how would you go about market testing using standard test markets?

   See Learning Objective 5.

Chapter 11: Managing Products and Brands. What is the Brand Personality of Famoso Neapolitan Pizzeria?

Questions

1. What is the brand personality of Famoso Neapolitan Pizzeria?

   See Learning Objective 3 and the work of Jennifer Aaker on Dimensions of Brand Personality: Aaker, J. 1997. Dimensions of brand personality. *Journal of Marketing Research,* 34 (3), 347-356.

2. How can Famoso Inc. continue to build a stronger brand?

   See Learning Objective 3, in particular figure 11-4.

3. What branding strategy does Famoso Inc. employ?

   See Learning Objective 3.

4. How can Famoso Inc. apply the concept of ingredient branding?

   Please review the work of Professor Keller: Desai, K. K. & Keller, K. L. 2002. The effects of ingredient branding strategies on host brand extendibility. *Journal of Marketing*, 66 (1), 73-93.

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Chapter 12: Managing Services. Guest Experiences at Famoso Neapolitan Pizzeria

Questions

1. Develop a customer contact audit of the Famoso experience

   See Learning Objective 4 and the example of Figure 12-4 for ideas.

2. Perform a gap analysis, in particular Gap 1, 2, 3, and 5.

   See Learning Objective 5. In particular review the work of Parasuraman: Parasuraman, A., Zeithaml, V. A., & Berry, L. L. 1985. A conceptual model of service quality and its implications for further research. *Journal of Marketing*, 49 (Fall), 41-50.

3. Develop a 5-question questionnaire including the five dimensions of SERVQUAL

   See Learning Objective 5 and Figure 12-5 of the textbook for ideas.

4. Which of the 7 Ps are the most critical for the success of Famoso Neapolitan Pizzeria service marketing strategy?

   See Learning Objective 6.

Chapter 13: Pricing Products and Services. Pricing Strategy of Famoso Inc.

Questions

1. Which approach is used by Famoso Inc. to determine prices?

   See Learning Objective 5.
   Potentially, Famoso Inc. makes use of cost and competition oriented approaches.

2. Which price special adjustments does Famoso Inc. use?

   See Learning Objective 5.
   Potentially Famoso Inc. uses quantity discounts.

3. What are some of the pricing constraints Famoso Inc. faces?

   See Learning Objective 5.
   Please take into consideration the latest developments of foreign workers legislation.

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Chapter 14: Managing Marketing Channels and Supply Chains. Location Strategies of Famoso Inc.

Questions

1. Which are the current channel design considerations that Famoso Inc. employs?

   See Learning Objective 3.

Target market coverage is a critical factor Famoso Inc. takes into consideration.

2. Which other design considerations Famoso Inc. would need to use?

   See Learning Objective 3.

3. Draw a potential supply chain for Famoso Inc.

   See Learning Objective 5 and, Figures 14-8 and 14-9 of the textbook for examples.

4. How can Famoso Inc. align its supply chain with marketing strategy?

   See Learning Objectives 5, 6 and 7.

Chapter 15: Retailing. Understanding the Franchise Model Better: The Example of Famoso Inc.

Questions

1. Explain the form of ownership of Famoso Inc.

   See Learning Objective 1.

2. What is the level of service at Famoso Neapolitan Pizzerias?

   See Learning Objective 1.

3. What is the depth and breadth of Famoso stores?

   See Learning Objective 1.

4. What is the positioning of Famoso in the retail matrix compared to Joeys, Earls, Cactus, Boston Pizza, and Pizza Hut?

   See Learning Objective 3, in particular Figure 15-5 for ideas.

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Chapter 16: Integrated Marketing Communications and Direct Marketing. Developing an IMC Program for Famoso Inc.

Questions

1. Which channel promotional strategy does Famoso Inc. pursue: Push or pull strategy?

   See Learning Objective 4.

2. Considering that Famoso Inc. started operations in 2007, which promotion objectives do they pursue?

   See Learning Objective 5.

3. Which method would you suggest Famoso Inc. to use for setting the promotion budget?

   See Learning Objective 5.

4. Which other promotional elements would you advice Famoso Inc. to employ?

   See Learning Objective 2.

5. Which are some of the criteria Famoso Inc. can use to select the right promotional tools?

   See Learning Objective 5.

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Chapter 17: Advertising, Sales Promotion, and Public Relations. Is Advertising Valuable for Famoso Inc.?

Questions

1. In your informed opinion, would it be worthier for Famoso Inc. to invest in traditional advertising?

   See Learning Objective 3.

2. In your informed opinion, would it be worthier for Famoso Inc. to invest in internet advertising, user generated content or place-based media?

   See Learning Objective 3.

3. How can Famoso Inc. make use of a portfolio test to pre-test advertising?

   See Learning Objective 2.

4. How can Famoso Inc. make use of aided and unaided recall to post-test advertising?

   See Learning Objective 2.

Chapter 18: Personal Selling and Sales Management. The Famoso Personal Selling Process

Questions

1. Can any of additional stage of the selling process be applicable to the case of Famoso Pizzerias?

   See Learning Objective 3.

2. Given that Famoso Inc. is a franchised business model, can the six-stage personal selling be applicable?

   See Learning Objective 3.

3. What is important to take into consideration in the salesforce recruitment and selection process?

   See Learning Objective 4.

4. What can Famoso Inc. learn from the traditional salesforce motivation and compensation aspects?

   See Learning Objective 4.

Chapter 19: Pulling it All Together: The Strategic Marketing Process. Performance Metrics of Famoso Inc.

Questions

1. Which other marketing metrics can Famoso Inc. use to evaluate performance?

   See Learning Objective 1.

2. How can Famoso Inc. make use of marketing dashboards?

   See Learning Objective 5.

3. Can Famoso Inc. use marketing metrics in the strategic marketing planning process? If so, how?

   See Learning Objectives 2, 3 and 4.

Chapter 20: Using Social Media and Mobile Marketing to Connect with Consumers.
Famoso Experience in Using Social Media to Connect with Consumers

Questions

1. In your informed opinion, is Famoso Inc. using social media strategically? If not, what do they need to do to link social media with marketing strategy?

   See Learning Objective 1, also see Figure 20-1 of the textbook. Also check book: Rodgers, Shelly and Thorson, Esther. 2017. Digital advertising. Routledge, Taylor and Francis Group.

2. Operationally, what other activities does Famoso Inc. need to do in Facebook, Twitter, and Instagram?

   See Learning Objective 2.

3. Which other social media vehicles does Famoso Inc. need to make use of?

   See Learning Objective 2.

4. How can social media help Famoso Inc. build a stronger brand?

   Link answer to Learning Objective 3 of Chapter 11.

5. What is the performance of Famoso pizzeria in social media compared to Boston Pizza, Cactus, or Earls?

   Search for Facebook, Twitter, and Instagram followers for these brands; also use socialmetion.com to compare the social media performance of those brands.

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Marketing Metrics Case 2
Why Dell Inc. Lost Market Share in the US Personal Computer Market during 2006-2010

Michael Dell, chief executive officer of Dell Inc. (Dell), on May 9 2011 expressed that he is committed with the growth and strategic direction of Dell[1]. Dell is a multinational company with headquarters in Texas, US. Dell offers a "broad range of technology product categories including mobility products, desktops PCs, software and peripherals, servers and networking products, storage, and services[2].

Dell faced a decline in market share in the US personal computer (PC) market at the rate of approximately 8% annually from 2006 to 2010[3]. Gartner Inc., a leader consulting company of the technology industry, defines the PC market as the market integrated by desktop computers, notebooks (also called mobile PCs), and mini-notebooks (media tablets such as the Ipad are not included in this definition of PC market). According to Dell's 10K published financial statements, net sales of desktops and notebooks were approximately 55% of total net sales in 2010[4]. Mr. Michael Dell commented that the PC market contributes to one third of Dell's profits[5].

There are many potential reasons why Dell lost market share in the US PC market in the last five years. One reason may be the steer direction Mr. Dell has given to the company. He said that in the last four years Dell has acquired companies emphasizing new business areas such as "storage, service, data center, security, virtualization, networking, software, and enterprise[6]." Another potential reason why Dell lost market share may be related to the challenges created by tablets (such as the Ipad of Apple) in attracting consumers and corporations as well as the advancement of computer components which continue to get more efficient and faster and consequently extending the lifetime of a computer[7].

Other potential reason is related to how well Dell is competing in the market in terms of creation of customer value. In fact, a key driver of better market performance is the customer and how well s/he is served by organizations. An important marketing metric that measures how well a customer is served by an organization is the customer satisfaction score each organization has. Customer satisfaction is defined as the whole evaluation experience of customers with products and services[8]. The American Customer Satisfaction Index (ACSI) developed by the University of Michigan, shows customer satisfaction scores of many companies and different markets in the US.

Customer Satisfaction scores of the US PC market participants from 2001 to 2005

The competition for customer value creation in terms of customer satisfaction was really interesting during the period 2001-2005. Table 1 shows 2001-2005 ACSI scores of the players in the US PC market. The ACSI score for each company is reported on a 0 to 100 scale, where 100 is the maximum score. Apple experienced an increase of customer satisfaction in such period at the compound annual growth rate (CAGR) of approximately 2.6%[9]. It seems that Apple's customers had positive experiences in using Apple's product at that time. HP on the other hand did not improve or deteriorate customer satisfaction levels. However, Dell, Compaq and Acer downgraded customer satisfaction at the annual rate of 1.3%, 0.7%, and 0.3% respectively.

Table 1: Customer Satisfaction and growth of US PC market players[10]

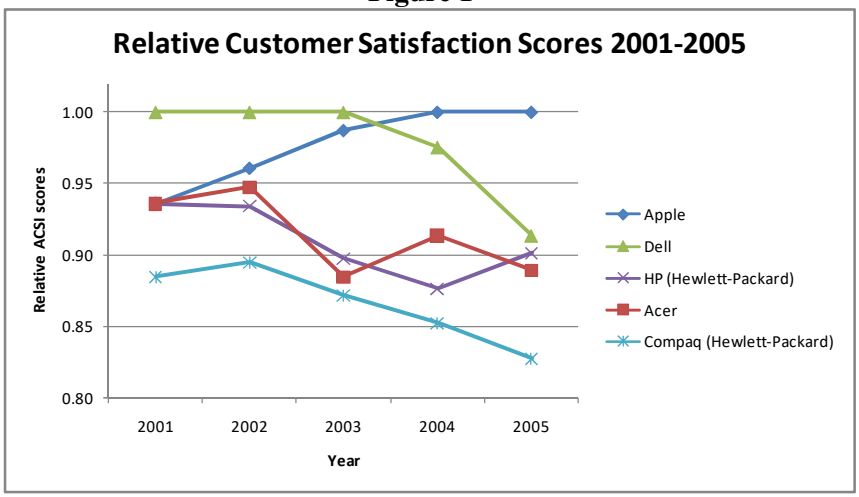
Companies	2001	2002	2003	2004	2005	Compounded Annual Growth Rate
Apple	73	73	77	81	81	2.6%
Dell	78	76	78	79	74	-1.3%
HP (Hewlett-Packard)	73	71	70	71	73	0.0%
Compaq (Hewlett-Packard)	69	68	68	69	67	-0.7%

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Acer	73	72	69	74	72	-0.3%
All Others	67	70	69	71	74	2.5%

The competitive strength of each company in regards to customer satisfaction during the period 2001-2005 can be observed in figure 1. Relative customer satisfaction indicates which company is the leader in the market in terms of satisfying customers. Relative customer satisfaction is the result of indexing a company's/brand's customer satisfaction against that of the leading competitor in the market. Interestingly, Dell was the customer satisfaction leader in the US PC market from 2001 to 2003. After that period, Dell conceded the leadership to Apple. In fact the customer satisfaction competitive gap between Apple and Dell has increased in 2004 and 2005. Further, the satisfaction competitive gap between Compaq and the leader has expanded from 12% in 2001 to 17% in 2005. The same case occurred for HP and Acer whose gap increased from 6% in 2001 to about 10% in 2005.

Figure 1[11]



Sales and Market share of the US PC market participants from 2006 to 2010

In the US PC market, the main participants are Dell, HP, Apple, Acer, Toshiba, and others. The US PC market (in sales units) grew annually 3.9%[12] from 2006 to 2010. HP, Apple, Acer and Toshiba grew above the market at the annual rate of 8.2%, 21.6%, 15%, and 23.5% respectively. Dell and other players in the US PC market grew below the market, actually annual sales of these companies decline at the annual rate of 4.3% and 4.6% respectively. Table 2 shows annual market shares (based on sales units figures) of Dell and its competitors in the US PC market for the years 2006 to 2010. The leaders of the PC market industry in US are HP and Dell, with approximately half the market in 2010. HP's market share has increased from 22.5% to 26.4% in the last 5 years. Apple, Acer and Toshiba's market shares have also increased. However Dell and other companies in the market have experienced a decline in their market share in the last five years. Potentially the decline of Dell's market share has benefited the increase of market share of HP, Apple, Acer and Toshiba.

Table 2: Market Share of US PC Market players

Company	2006	2007	2008	2009	2010	Compounded Annual Growth Rate
HP	22.5%	25.5%	25.5%	27.3%	26.4%	4.1%
Dell	32.3%	29.4%	29.9%	24.5%	23.2%	-7.9%
Apple	5.1%	6.5%	8.0%	8.2%	9.5%	17.0%
Acer	8.1%	9.8%	9.8%	13.6%	12.1%	10.6%

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Toshiba	4.6%	5.5%	5.8%	7.8%	9.3%	18.9%
Others	27.4%	23.3%	20.9%	18.5%	19.5%	-8.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	-

The CAGR of Dell's market share was -7.9%, which basically reflects that Dell's year-over-year market share was shrinking. It only increased from 2007 to 2008 in 1.7%; the other year-over-year shares were decreasing, 9% from 2006 to 2007, 18.1% from 2008 to 2009, and 5.3% from 2009 to 2010 (see table 3). On the contrary Toshiba and Apple were companies that grew the most with CAGR of 18.9% and 17% respectively. On the one hand, Toshiba's year-over-year market share expanded, for instance, from 2006 to 2007 it grew 19.6%, from 2008 to 2009 it expanded 34.5%, and from 2009 to 2010 it grew up 19.2%. On the other hand, Apple's year-over-year market share also expanded from 27.5% (2006-2007) to 15.9% (2009-2010).

Table 3: Market Share Annual Growth of US PC Market players

Company	2007	2008	2009	2010
HP	13.3%	0.0%	7.1%	-3.3%
Dell	-9.0%	1.7%	-18.1%	-5.3%
Apple	27.5%	23.1%	2.5%	15.9%
Acer	21.0%	0.0%	38.8%	-11.0%
Toshiba	19.6%	5.5%	34.5%	19.2%
Others	-15.0%	-10.3%	-11.5%	5.4%

Challenges Dell is facing in the US PC market

Dell is suffering a market share shrink in the US PC market in the last 5 years. Mr. Dell apparently is trying to steer the direction of Dell toward new markets such as storage, service, and data center to name a few in order to minimize problems in the PC markets. Although new directions of Dell, the PC market still represents 55% of total net sales and 33% of net profits. The consistent loss of market share in the PC market may hurt Dell's net sales and profits in the near future.

Part of the solution to this consistent drop of Dell's market share may be improving the creation of customer value by enhancing customer satisfaction. As we know, how well a customer is served by an organization is one of the pillars of a successful marketing strategy. Potentially Dell needs to improve the experience of customers with its products and services in order to create positive Dell's evaluations. You are part of a team which is in charge of analyzing the situation of Dell in the US PC market during 2006 to 2010 and making some recommendations to Dell marketers and managers. The hypothesis you will have in mind when doing your analysis is the positive relation that exists between customer satisfaction and market share. For doing your analysis, you have been provided with information contained in table 4. Table 4 shows the last 5 years ACSI scores of the players in the US PC market as well as the CAGR. As you already know, the ACSI score for each company is reported on a 0 to 100 scale, where 100 is the maximum score. See figure 2 for details on how the ACSI scores of PC market players in US has moved.

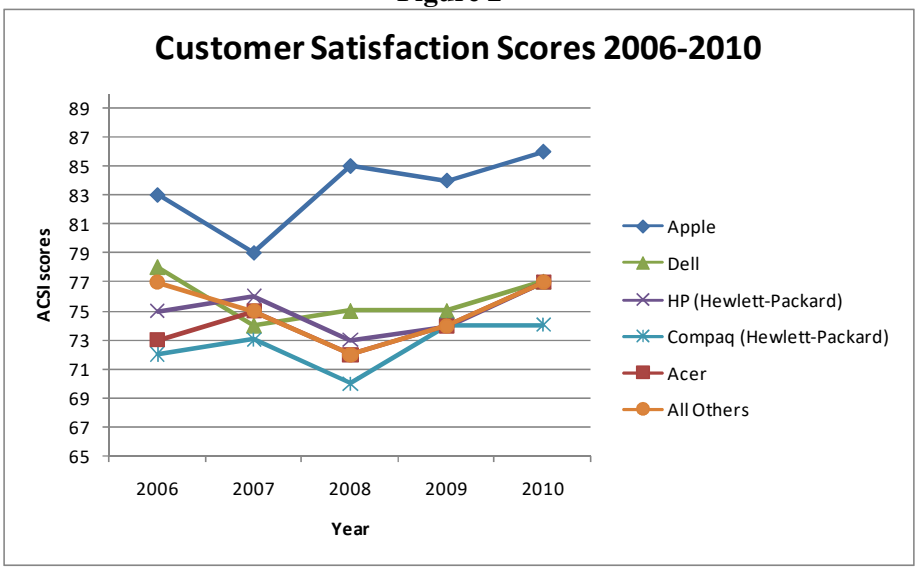
Table 4: Customer Satisfaction of US PC Market players[13]

Companies	2006	2007	2008	2009	2010	Compounded Annual Growth Rate
Apple	83	79	85	84	86	0.9%
Dell	78	74	75	75	77	-0.3%
HP (Hewlett-Packard)	75	76	73	74	77	0.7%
Compaq (Hewlett-Packard)	72	73	70	74	74	0.7%

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Acer	73	75	72	74	77	1.3%
All Others	77	75	72	74	77	0.0%

Figure 2[14]



If you are competent in answering the following questions, then you will be able to make an outstanding report.

Questions:

1. What is the challenge Dell is facing? Summarize your thoughts and comment potential internal and external reasons causing such challenge.

2. Using companies' annual ACSIs (of table 4) compute the annual relative customer satisfaction of Dell and Apple from 2006 to 2010. Discuss your results. Take into consideration the following: relative customer satisfaction is the result of indexing a company's/brand's customer satisfaction against that of the leading competitor in the market.

Table 5: Relative ACSI (US PC market) [15]

Companies	**2006**	**2007**	**2008**	**2009**	**2010**
Apple					
Dell					
HP (Hewlett-Packard)	0.90	0.96	0.86	0.88	0.90
Compaq (Hewlett-Packard)	0.87	0.92	0.82	0.88	0.86
Acer	0.88	0.95	0.85	0.88	0.90
All Others	0.93	0.95	0.85	0.88	0.90

3. Using the annual customer satisfaction scores (of table 4), compute the annual growth rates of Dell's customer satisfaction from 2006 to 2010 in the US PC market. Discuss your results using Dell and some of its competitors' growth rates; also use CAGRs of table 4 to narrate the dynamics of the market. Take into consideration that the annual growth rate (AGR) is the result of:

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$$AGR(\%) = \left(\left[\frac{Value\ in\ year\ t}{Value\ in\ year\ t-1}\right] - 1\right) x\ 100$$

Table 6: Customer satisfaction Annual Growth of US PC market players [16]

Companies	2007	2008	2009	2010
Apple	-4.8%	7.6%	-1.2%	2.4%
Dell				
HP (Hewlett-Packard)	1.3%	-3.9%	1.4%	4.1%
Compaq (Hewlett-Packard)	1.4%	-4.1%	5.7%	0.0%
Acer	2.7%	-4.0%	2.8%	4.1%
All others	-2.6%	-4.0%	2.8%	4.1%

4. As a future marketer, does it make sense for Dell to improve customer satisfaction? If so, what would be some of your recommendations for improving Dell's customer satisfaction? Please explain your thoughts (hint: use the relation between Dell's ACSI AGR and market share annual growth rate, table 3).

Fernando Angulo Ruiz wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

[1] Statement taken from Fiscal year 2010 in review (http://content.dell.com/us/en/corp/d/corp-comm/fy10-year-in-review.aspx); accessed May 9, 2011.
[2] Information from Dell website and Security Exchange Commission, Edgar files. Accessed May 2, 2011.
[3] This rate has been calculated using quarterly data published by Gartner Inc. Data downloaded from www.gartner.com
[4] Dell files, Security Exchange Commission, Edgar files. Files were accessed on May 2, 2011.
[5] Worthen, Ben (2011). "Boss Talk: Michael Dell looks beyond PC business," *Wall Street Journal*, 25 April.
[6] Worthen, Ben (2011). "Boss Talk: Michael Dell looks beyond PC business," *Wall Street Journal*, 25 April.
[7] Sherr, Ian (2011). "Corporate News: Demand for PCs falters," *Wall Street Journal*, 14 April.
[8] Fornell, Claes, Michael D. Johnson, Eugene W. Anderson, Jaesung Cha, and Barbara Everitt Bryant (1996), "The American Customer Satisfaction Index: Nature, Purpose and Findings," *Journal of Marketing*, 60 (October), 7–18.
[9] The compound annual growth rate (CAGR) is computed using:

$$CAGR = \left[\sqrt[(last\ year - first\ year)]{\frac{Value\ in\ the\ last\ year\ of\ analysis}{Value\ in\ the\ first\ year\ of\ analysis}}\right] - 1$$

[10] Table 1 was developed using data published by the University of Michigan, downloaded from www.theacsi.org
[11] Figure 1 was developed using data published by the University of Michigan, downloaded from www.theacsi.org
[12] This and the following values, as well as tables 2 and 3, were developed by aggregating data of sales units published by Gartner Inc. and computing compound annual growth rate for each company and the market. Data was downloaded from www.gartner.com
[13] Table 4 was developed using data published by the University of Michigan, downloaded from www.theacsi.org
[14] Figure 2 was developed using data published by the University of Michigan, downloaded from www.theacsi.org
[15] Table 5 was developed using data published by the University of Michigan, downloaded from www.theacsi.org
[16] Table 6 was developed using data published by the University of Michigan, downloaded from www.theacsi.org

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Teaching Note – Marketing Metrics Case 2
Why Dell Inc. Lost Market Share in the US Personal Computer Market during 2006-2010

Objective of the Case:

The objective of the mini case is make students to do industry and company analysis and propose recommendations using marketing metrics. Basically students are asked to work under the hypothesis that a positive relation exists between customer satisfaction and market share, to analyze the situation of Dell in the US PC market from 2006 to 2010 and to make some recommendations to Dell marketers and managers.

Teaching Suggestions:

This mini case is ideal for working on topics related to chapters 1, 2, and 3. For instance concepts related to the creation of customer value (via satisfaction), growth strategies (via Boston Consulting Group's relative market share and Ansoff matrix), and competitive forces may be rehearsed, discussed and critiqued. In particular chapter 1 topic on "how marketing discovers and satisfies needs," Chapter 2 topics on "growth strategies and tracking strategic performance with marketing dashboards and metrics," and Chapter 3 topics on "the importance of environmental scanning and competitive forces" should be emphasized.

The suggestion for working on the mini case is based on students' teams of 3-5. Considering that there are many calculations students can split the work. Also, students will be able to discuss interpretations and recommendations in a team basis. Further, students can practice presentation skills.

Questions:

1. **What is the challenge Dell is facing? Summarize your thoughts and comment potential internal and external reasons causing such challenge.**

   The objective of this question is to test the level of case comprehension students have.
   a. The performance challenge Dell is facing can be found in paragraphs 2 and 9; Dell is facing a shrink of market share in the last five years of about 8% annually. See tables 2 and 3 of mini case for quantitative evidence.
   b. External reason: "Another potential reason to why Dell lost market share may be related to the challenges created by tablets (such as the Ipad of Apple) in attracting consumers and corporations as well as the advancement of computer components which continue to get more efficient and faster and consequently extend the lifetime of a computer (page 1 of mini case)"
   c. Internal reason 1: "One reason may be the steer direction Mr. Dell has given to the company. He said that in the last four years Dell has acquired companies emphasizing new business areas such as "storage, service, data center, security, virtualization, networking, software, and enterprise" (page 1 mini case)
   d. Reason which the mini case will explore: The customer challenge: Dell's customer satisfaction has decrease at an annual rate of 1.3% from 2001 to 2005. Dell used to be the customer satisfaction leader, now it has lost its leadership place. There is something related to customers' experience with products and services that needs to be improved. What happened in the last 5 years? Questions 2 and 3 will focus on that.

   Potentially, students will want to share other reasons; that's fine as long as you drive the discussion. Students will be able to use concepts already studied. Maybe they can share some personal experiences with Dell's products and services; this will vivify the discussion.

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2. **Using companies' annual ACSIs (of table 4) compute the annual relative customer satisfaction of Dell and Apple from 2006 to 2010. Discuss your results. Take into consideration the following: relative customer satisfaction is the result of indexing a company's/brand's customer satisfaction against that of the leading competitor in the market.**

Example of how to compute relative customer satisfaction of Dell in 2006:

$$Relative\ Customer\ Satisfaction_{Dell\ in\ 2006} = \left[\frac{ACSI_{Dell}}{ACSI_{Leader}}\right] = \left[\frac{78}{83}\right] = 0.9398$$

Solution Table 1: Relative ACSI (US PC market)

Companies	2006	2007	2008	2009	2010
Apple	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**
Dell	**0.94**	**0.94**	**0.88**	**0.89**	**0.90**
HP (Hewlett-Packard)	0.90	0.96	0.86	0.88	0.90
Compaq (Hewlett-Packard)	0.87	0.92	0.82	0.88	0.86
Acer	0.88	0.95	0.85	0.88	0.90
All others	0.93	0.95	0.85	0.88	0.90

The customer satisfaction leader in the PC market is Apple since 2004. Apparently Apple is the company receiving best customer evaluations in the industry. Dell, HP and Acer are the closest rivals of Apple in terms of customer satisfaction. There is no data available of Toshiba for making comparisons. Dell's customer satisfaction competitive gap against the leader reduced in 2006-2007, after that period, the competitive gap went back to gaps levels during 2004-2005.

3. **Using the annual customer satisfaction scores (of table 4), compute the annual growth rates of Dell's customer satisfaction from 2006 to 2010 in the US PC market. Discuss your results using Dell and some of its competitors' growth rates; also use CAGRs of table 4 to narrate the dynamics of the market. Take into consideration that the annual growth rate (AGR) is the result of:**

$$AGR(\%) = \left(\left[\frac{Value\ in\ year\ t}{Value\ in\ year\ t-1}\right] - 1\right) x\ 100$$

Example of how to compute customer satisfaction AGR of Dell from 2006 to 2007:

$$AGR(\%)_{ACSI\ Dell\ 2007} = \left(\left[\frac{74}{78}\right] - 1\right) x\ 100 = (0.9487 - 1)x100 = -5.1282\%$$

Solution Table 2: Customer Satisfaction Annual Growth of US PC market players

Companies	2007	2008	2009	2010
Apple	-4.8%	7.6%	-1.2%	2.4%
Dell	**-5.1%**	**1.4%**	**0.0%**	**2.7%**
HP (Hewlett-Packard)	1.3%	-3.9%	1.4%	4.1%
Compaq (Hewlett-Packard)	1.4%	-4.1%	5.7%	0.0%
Acer	2.7%	-4.0%	2.8%	4.1%
All others	-2.6%	-4.0%	2.8%	4.1%

In regards to the computation of AGRs, students' answers should not vary (maybe just the decimals). First, it is important to stress the difference between CAGRs and AGRs. CAGRs are abstract and smoothed growth rates; these are not the average of the annual growth rates or the actual annual growth rates. AGRs however are the actual annual growth rates of year-over-year data.

The customer satisfaction leader, Apple, was harmed from 2006 to 2007 with a satisfaction score decline of 4.8%. This decline, however, was contrasted by a growth rate of 7.6% from 2007 to 2008 and 2.4% from 2009 to 2010. These downs and ups made Apple to have a compound annual growth rate of approximately 1% from 2006 to 2010.

Dell experienced a major lost of customer satisfaction from 2006 to 2007 of 5.1%. This decline was not recovered at all in 2010, though Dell had customer satisfaction growth during 2007 to 2010. In general, Dell's customer satisfaction declined at a compound annual rate of 0.3%.
Acer ACSI scores have grown at an annual rate of approximately 1.3%. HP's ACSI score also grew.

Students may also speculate in the reasons of the Dell's customer satisfaction decline. That's fine, more points of discussion and opportunities for them to use concepts of chapters 1 to 3.

The remaining question is about the connection between ACSI growth rates and market share growth rates. This point is very important for marketing and its metrics.

4. **As a future marketer, does it make sense for Dell to improve customer satisfaction? If so, what would be some of your recommendations for improving Dell's customer satisfaction? Please explain your thoughts (hint: use the relation between Dell's ACSI AGR and market share annual growth rate, table 3).**

This question has two inter-related answers. One response may be argued at the industry level, taking into account all US PC market participants (or at least the most relevant ones whose information is available). The other answer may be argued at the company level, just focusing on Dell.

The good news is that using both answers we arrive to the same point, that there is a positive association between customer satisfaction and market share so it makes sense to improve customer satisfaction in order to enhance market performance. Students will practice how to relate ideas, concepts using not only theory but also data.

Using industry level analysis:

Solution Table 3: ACSI CAGR and CAGR of market share (US PC market)

Company	ACSI CAGR	CAGR of Market Share
Acer	1.3%	10.6%
Apple	0.9%	17.0%
HP	0.7%	4.1%
Others	0.0%	-8.2%
Dell	-0.3%	-7.9%
Toshiba	N.A.	18.9%

Note: Info from tables 2 and 4 was used to construct this table.

Using company level analysis, just focusing on Dell:

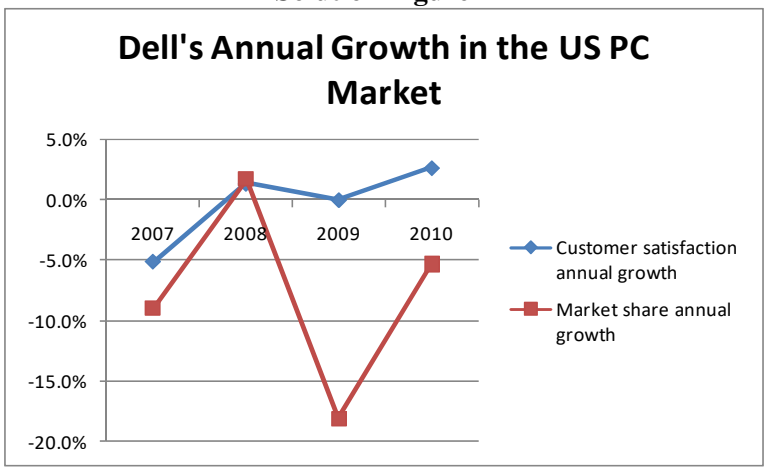
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Solution Table 4: Dell's ACSI and market share annual growth (US PC market)

Year-over-year	ACSI AGR	Market Share AGR
2007	-5.1%	-9.0%
2008	1.4%	1.7%
2009	0.0%	-18.1%
2010	2.7%	-5.3%

Note: Info from solution table 2 and table 3 was used to construct this table.

Solution Figure 1



Yes, it makes sense; improvements in the creation of customer value (via satisfying customers better) will improve market performance of companies (in terms of market share). For instance, at industry level (solution table 3), using ACSI CAGR and market share CAGR of Dell, HP and Acer we can observe that as the ACSI CAGR increases (from -0.3% to 1.3%) the market share growth also increases (from -7.9% to 10.6%).

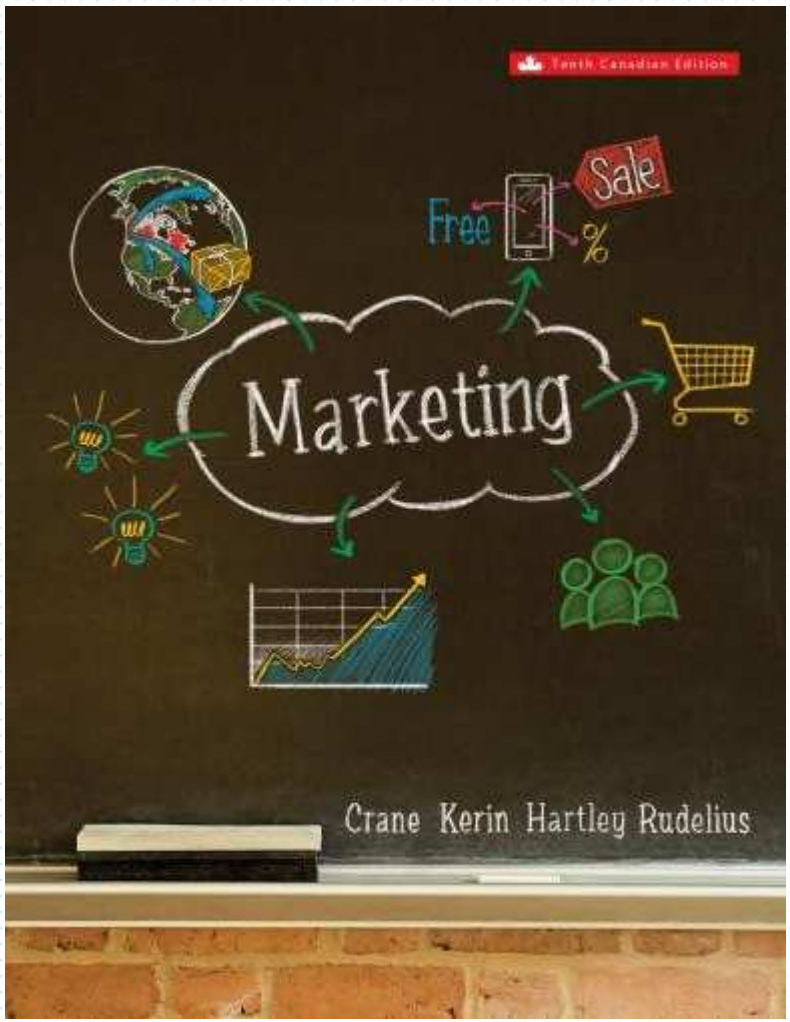
At company level, Dell, solution table 4, we can observe that as the annual growth rate of Dell's customer satisfaction increases, its market share annual growth rate also increases; the other way is also observable, as Dell's customer satisfaction AGR decreases, its market share AGR also decreases. In solution figure 1, the last two rationales can be observed visually.

To be a little bit more technical in analyzing the relationship between ACSI annual growth and market share annual growth we have to make use of correlation analysis, and this analysis goes beyond the scope of this mini case.

Students' speculations are welcome in regards to how Dell can improve customer satisfaction. They can practice concepts of chapters 1 to 3 placing special emphasis on managing the marketing program as a mean to satisfy customers and how to deal with competitive forces to continue to grow in the market place. You just need to guide the discussion.

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2

Developing Successful Marketing Strategies

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Contents

- Learning Objectives
- Opening Case: Making The World A Better Place, One Scoop At A Time!
- Chapter ‘s Topics
  - Today’s Organizations
  - Strategy In Visionary Organizations
  - Setting Strategic Direction
  - The Strategic Marketing Process
- Video Case 2: IBM: Using Strategy to Build a "Smarter Planet"
- Learning Review

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Learning Objectives

1. Describe the kinds of organization that exist and the three levels of strategy in them.
2. Describe how core value, mission, organizational culture, business, and goals are important in organizations.
3. Discuss how an organization assesses where it is now and where it seeks to be.
4. Explain why managers are tracking strategic performance with marketing analytics, marketing dashboards and marketing metrics.
5. Explain the three steps of the planning phase of the strategic marketing process.
6. Describe the elements of the implementation and evaluation phases of the strategic marketing process.

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Making The World A Better Place, One Scoop At A Time!

- Ben & Jerry's started an ice cream business in 1978 with $12,000
- They set out to achieve linked prosperity with a three-part mission statement:

1. Product mission: to make, distribute and sell the finest quality all-natural ice cream.
2. Economic mission: to operate the company for sustainable financial growth.
3. Social mission: to operate the company in ways that make the world a better place.

- Today, ben & jerry's is owned by Unilever and operates in over two dozen countries including Canada.



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Kinds of Organization

- Business firms
- Non-profit organizations

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What is Strategy?

Strategy is an organization's long-term course of action designed to deliver a unique customer experience while achieving its goals

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Structure of Today's Organization

- Corporate Level
- Strategic Business Unit Level
- Functional Level

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TODAY'S ORGANIZATIONS

FIGURE 2-1

The board of directors oversees the three levels of strategy in organizations: corporate, business unit, and functional



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Organizational Foundation: Why Does It Exist?

- Core Values
- Mission
- Organizational Culture

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STRATEGY IN VISIONARY ORGANIZATIONS

FIGURE 2-2

Today's visionary organization uses key elements to (1) establish a foundation and (2) set a direction using (3) its strategies that enable it to develop and market its offerings successfully



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Organizational Direction: What Will It Do?

- Business
- Goals (SMART)
  - Profit
  - Sales
  - Market share
  - Quality
  - Customer satisfaction
  - Employee welfare
  - Social responsibility

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STRATEGY IN VISIONARY ORGANIZATIONS

Marketing Myopia

In the first half of the 20th century, what "business" did railroads believe they were in? The text reveals their disastrous error.



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Organizational Strategies: How Will It Do It?

- Variation by Level
- Variation by Offering

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A Look Around: Where Are We Now?

- Competencies
  - Competitive advantage
  - Quality
  - Benchmarking
- Customers
- Competitors

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SETTING STRATEGIC DIRECTION

FIGURE 2-3

Growth Strategies: Where Do We Want to Go?

Boston Consulting Group (BCG) business portfolio analysis for four of Apple's consumer-related SBUs. The red arrow indicates typical movement of a product through the matrix.



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FIGURE 2-4

Growth Strategies: Where Do We Want to Go?

Four market-product strategies

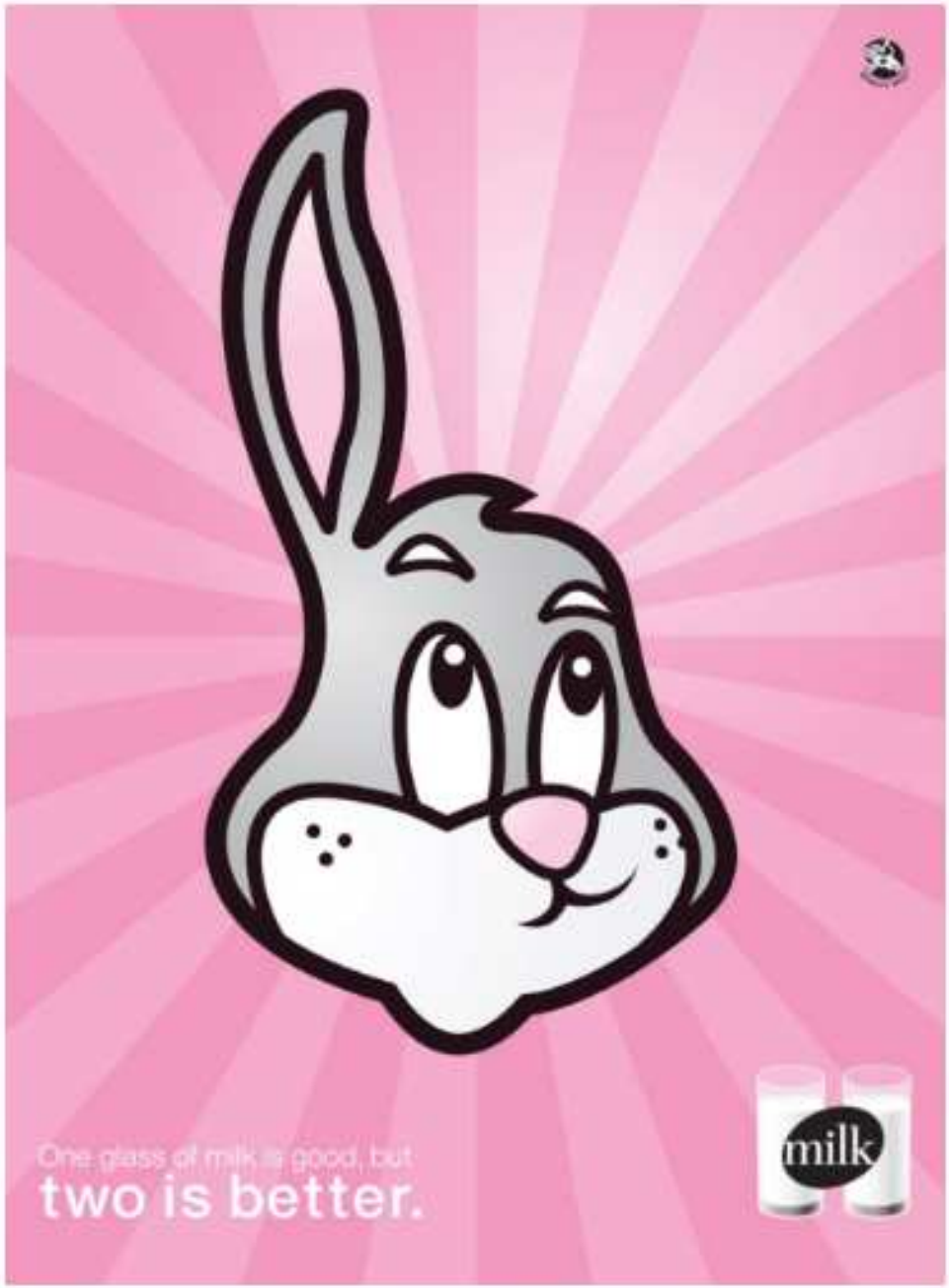
	PRODUCTS	
Markets	**Current**	**New**
Current	**Market Penetration** Selling more products in existing markets	**Product Development** Selling new products in existing markets
New	**Market Development** Selling existing products in new markets (either geographic or new segments)	**Diversification** Selling a new product in new markets

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SETTING STRATEGIC DIRECTION

Market-Product Analysis

How two Canadian organizations, the Fédération des producteurs de lait du Québec and Second Cup, effectively used market/product strategies, read the text.



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Tracking Strategic Performance with Marketing Analytics, Marketing Dashboards and Marketing Metrics

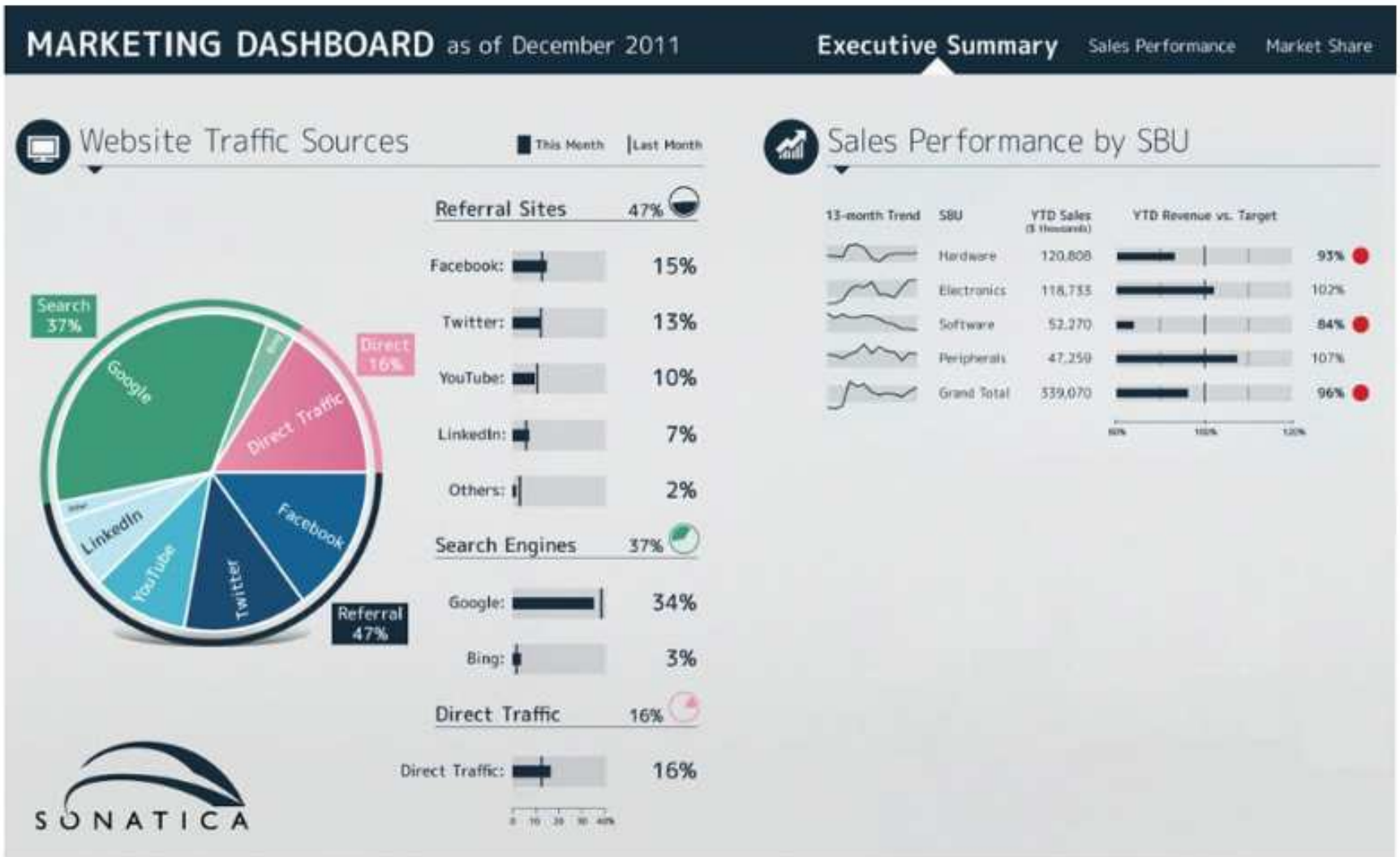
- Car Dashboards and Marketing Dashboards
  - Marketing Dashboard
- Dashboards, Metrics, and Plans
  - Marketing Metric
  - Marketing Plan

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SETTING STRATEGIC DIRECTION

An Effective Marketing Dashboard

Helps managers assess a business situation at a glance



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SETTING STRATEGIC DIRECTION

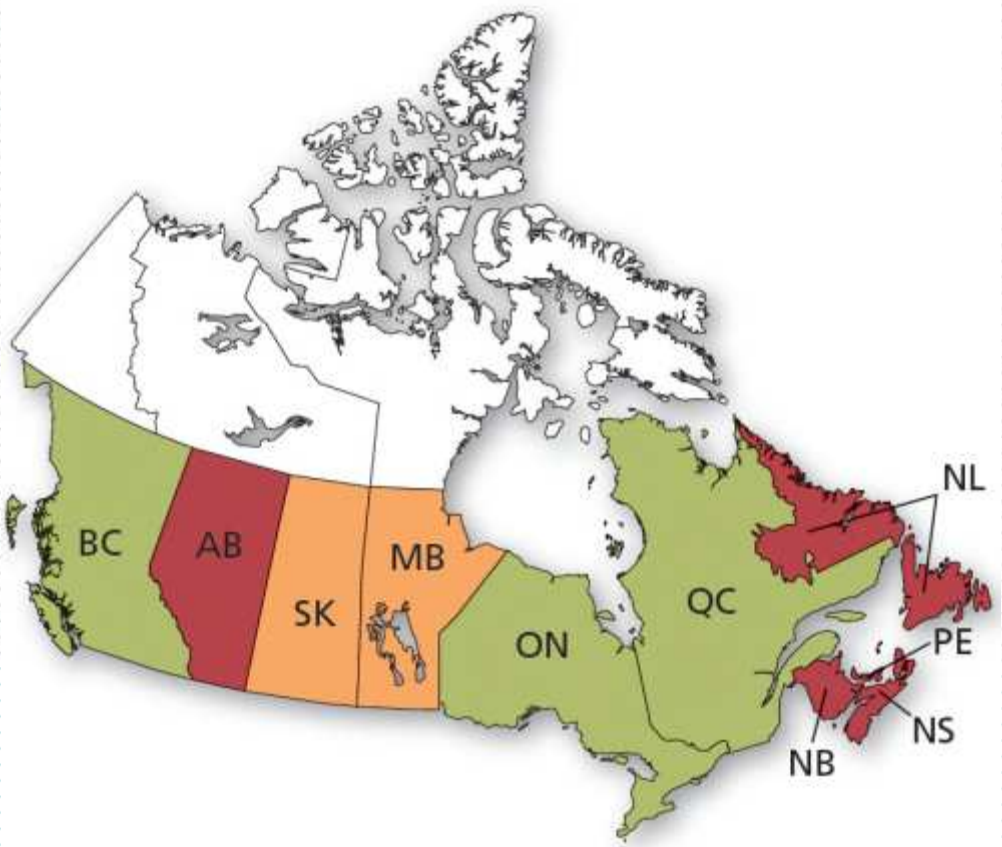
Using Marketing Dashboards

Which Provinces Are Underperforming?

(1) picked a metric

(2) made your own rules

- GREEN = growth that is greater than 10 percent
- ORANGE = 0 to 10 percent growth
- RED = decline.



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The Planning Phase

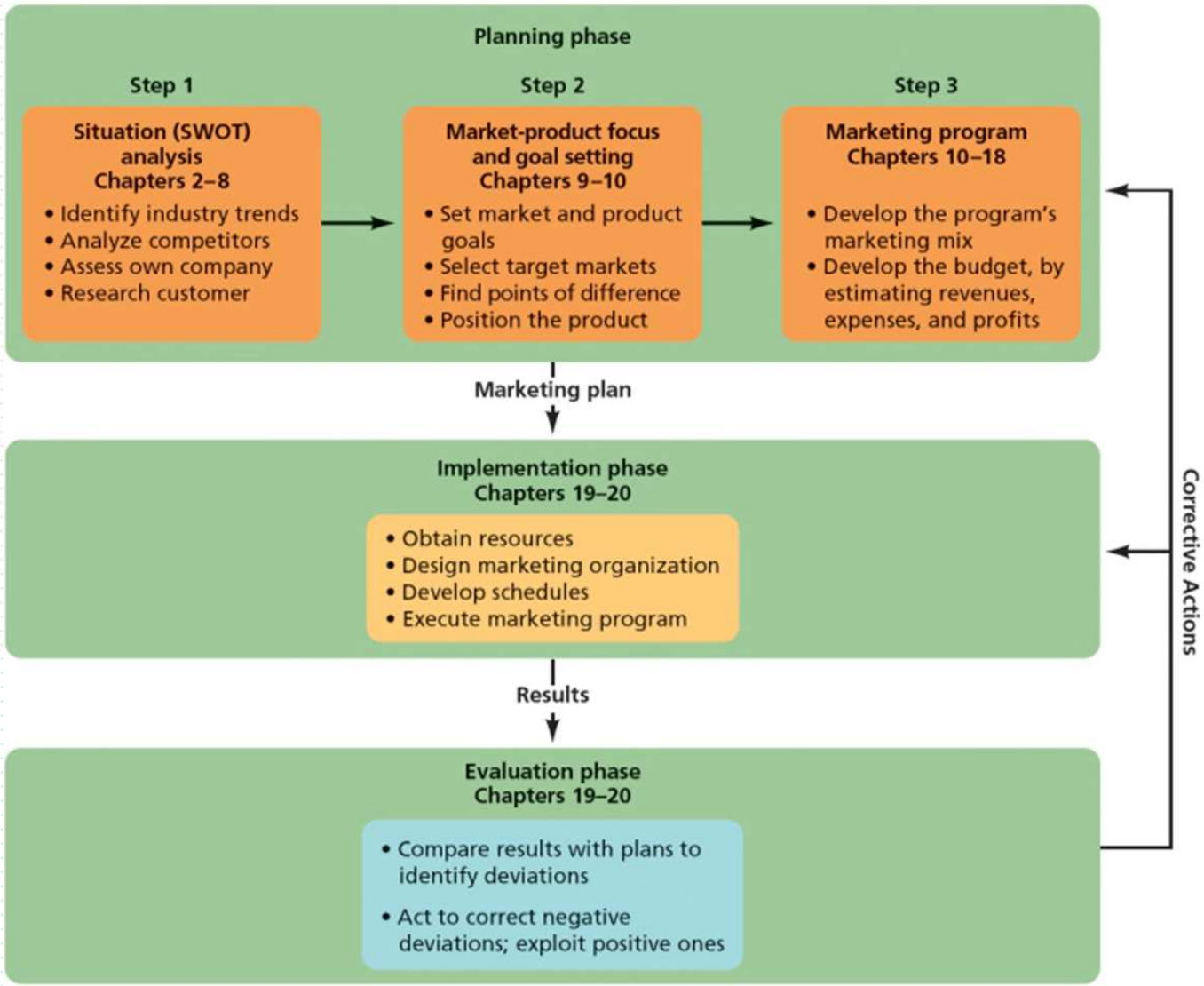
- Step 1: Situation (SWOT) Analysis
  - SWOT analysis
- Step 2: Market-Product Focus and Goal Setting
  - Set marketing and product goals
  - Select target markets
  - Find points of difference
  - Position the product
- Step 3: Marketing Program
  - Product, Price, Promotion & Place (distribution) strategies

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THE STRATEGIC MARKETING PROCESS

FIGURE 2-5

The strategic marketing process



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THE STRATEGIC MARKETING PROCESS

FIGURE 2-6

Ben & Jerry's: a SWOT analysis to get it growing again in Canada

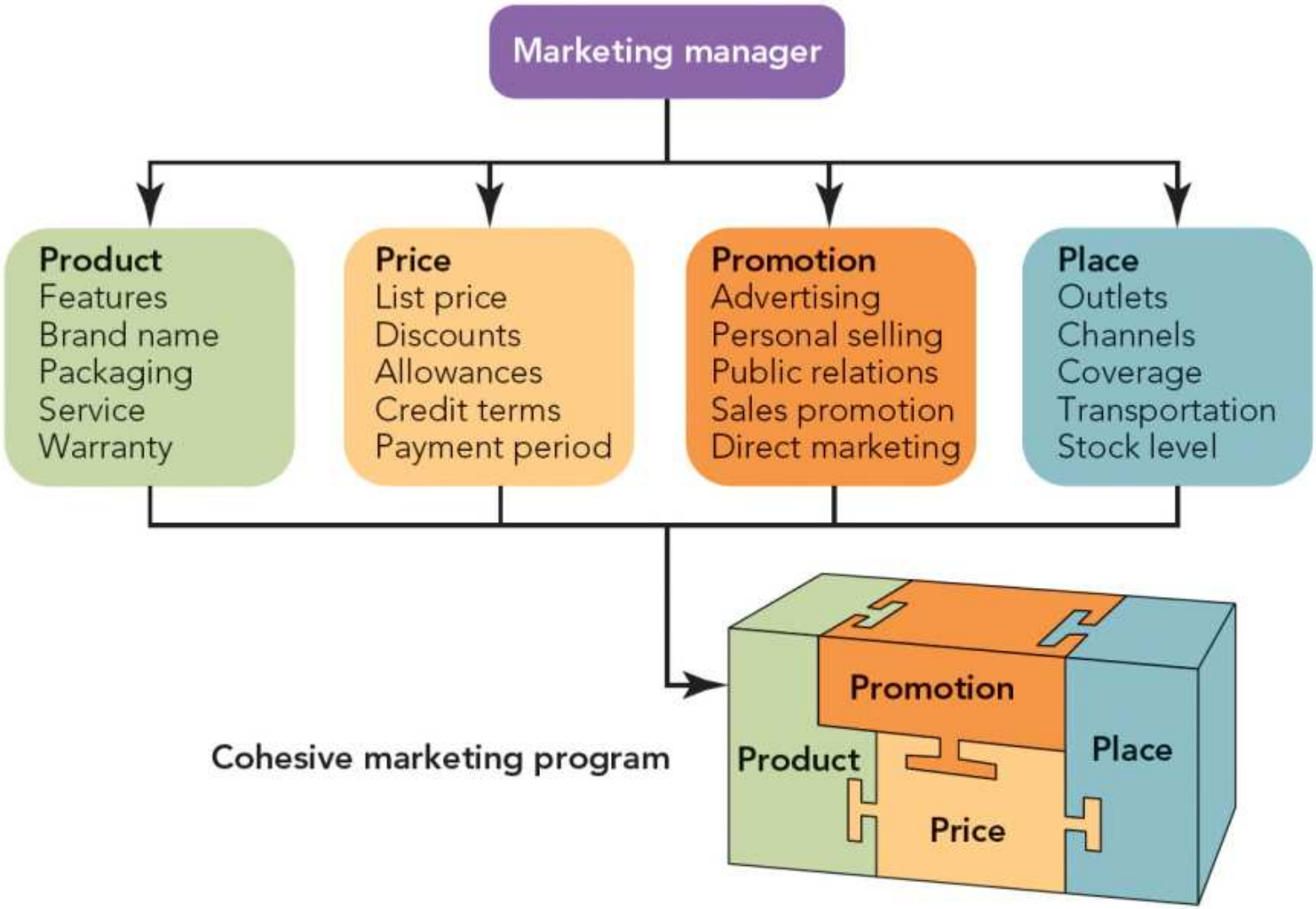
Location of Factor	TYPE OF FACTOR	
	Favourable	Unfavourable
Internal	**Strengths** • Prestigious brand name • Major share of the superpremium ice cream market • Can complement Unilever's existing ice cream brands	**Weaknesses** • Danger that B&J's social responsibility actions may add costs, reduce focus on core business • Need for experienced managers to help growth • Flat sales and profits in recent years
External	**Opportunities** • Growing demand for quality ice cream • Increasing demand for frozen yogurt and other low-fat desserts • Success of many firms in extending successful brand in one product category to others	**Threats** • Consumer concern about fatty desserts; B&J customers are the type who read new nutritional labels • Competes with Haagen-Dazs brand • Downturn in Canadian economy

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THE STRATEGIC MARKETING PROCESS

FIGURE 2-7

Elements of the marketing mix that comprise a cohesive marketing program



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The Implementation Phase

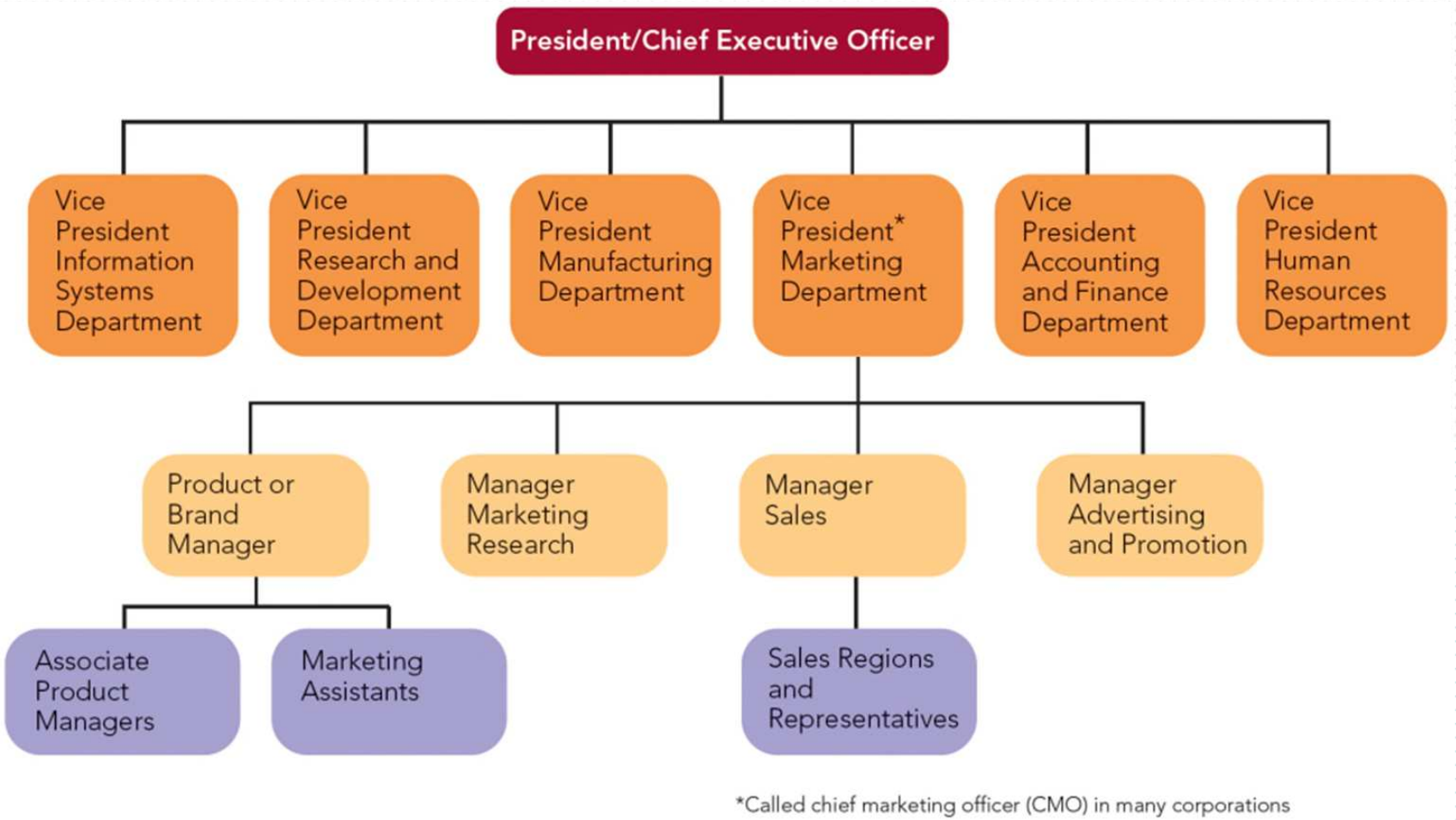
- Obtaining Resources
- Designing the Marketing Organization
- Developing Schedules
- Executing the Marketing Program
  - Marketing strategy
  - Marketing tactics

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THE STRATEGIC MARKETING PROCESS

FIGURE 2-8

Organization of a typical manufacturing firm showing a breakdown of the marketing department



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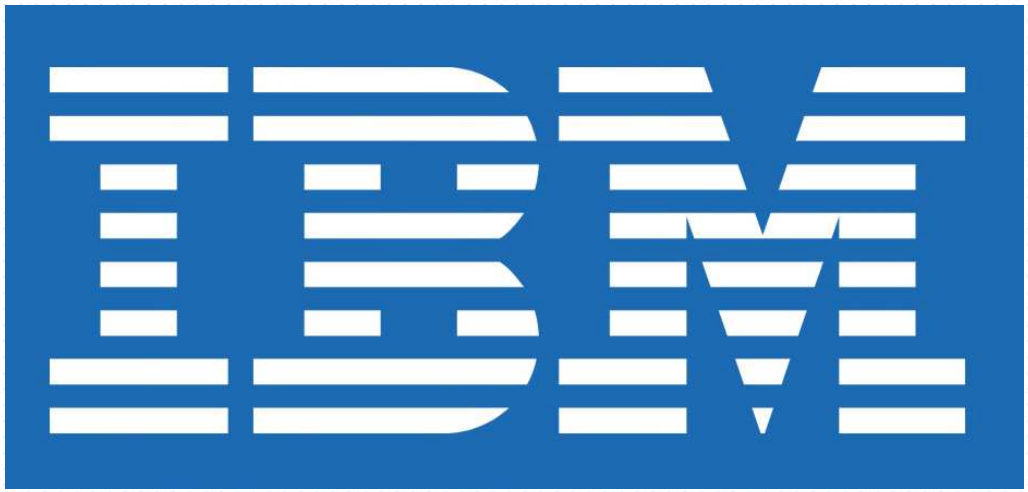
The Evaluation Phase

- Comparing Results with Plans to Identify Deviations
- Acting on Deviations
  - Correcting a negative deviation
  - Exploiting a positive deviation

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VIDEO CASE 2

IBM: Using Strategy to Build a "Smarter Planet"



connect

Video on Connect:

http://highered.mheducation.com/sites/1259268802/student_view0/video_cases_and_transcripts.html

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VIDEO CASE 2-1

IBM: Using Strategy to Build a "Smarter Planet"

What is IBM's Smarter Planet business strategy? How does this strategy relate to IBM's mission and values?

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VIDEO CASE 2-2

IBM: Using Strategy to Build a "Smarter Planet"

Conduct a SWOT analysis for IBM's Smarter Planet initiative. What are the relevant trends to consider for the next three to five years?

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VIDEO CASE 2-3

IBM: Using Strategy to Build a "Smarter Planet"

How can IBM communicate its strategy to companies, cities, and governments?

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VIDEO CASE 2-4

IBM: Using Strategy to Build a "Smarter Planet"

What are the benefits of the Smarter Planet initiative to (a) society and (b) IBM?

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LEARNING REVIEWS

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What is marketing accountability?

The responsibility for the systematic management of marketing resources and processes to achieve measurable gains in return on marketing investment and increased marketing efficiency, while maintaining quality and increasing the value of the corporation.

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What is strategy?

An organization's long-term course of action designed to deliver a unique customer experience while achieving its goals.

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What are examples of a functional level in an organization?

The marketing department or information systems department are examples of functional levels in an organization.

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What is the meaning of an organization's mission?

Is a statement of the organization's function in society, often identifying its customers, markets products, and technologies.

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What is the difference between an organization's "business" and its "goals"?

A **business** describes the clear, broad, underlying industry or market sector of an organization's offering.

Goals are statements of an accomplishment of a task to be achieved, often by a specific time.

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What is a business portfolio analysis?

Business portfolio analysis studies a firm's business units as though they were a collection of separate investments. It is a tool to detrmine the appeal of each business unit or offering and then determine the amount of investment each should receive.

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What are the four market-product strategies?

The four market-product strategies are:

- Market penetration
- Product development
- Market development
- Diversification

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What is a marketing dashboard?

The visual computer display of the essential information related to achieving a marketing objective.

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What is the difference between a strength and an opportunity in a SWOT analysis?

In a SWOT analysis, a strength is a favourable evaluation of the internal situation at the level of the entire organization, the business unit, the product line, or the specific product. An opportunity is a favourable evaluation of the external situation at the level of the entire organization, the business unit, the product line, or the specific product.

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What is market segmentation?

Market segmentation is the process of aggregating prospective buyers into groups, or segments, that (1) have common needs and (2) will respond similarly to a marketing action.

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What are "points of difference" and why are they important?

Points of difference are those characteristics of a product that make it superior to competitive substitutes. This concept is the single most important factor in the success or failure of a new product.

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What is the implementation phase of the strategic marketing process?

The four components of the implementation phase include:

1. obtaining resources,
2. designing the marketing organization,
3. developing schedules, and
4. actually executing the marketing program designed in the planning phase.

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How do the goals set for a marketing program in the planning phase relate to the evaluation phase of the strategic marketing process?

The evaluation phase of the strategic marketing process seeks to keep the marketing program moving in the direction set for it.

Accomplishing this requires the marketing manager (1) to compare the results of the marketing program with the goals in the written plans to identify deviations, and (2) to act on these deviations—correcting negative deviations and exploiting positive ones.

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