Principles of Marketing Version 3 0 3rd edition Tanner Solutions Manual

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Instructor's Manual
Principles of Marketing 3.0

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Chapter 2
Strategic Planning

THE VALUE PROPOSITION: QUESTIONS TO CONSIDER

1. What is a value proposition?
2. You are interviewing for an internship. Create a value proposition for yourself that you may use as your thirty-second "elevator speech" to get the company interested in hiring you or talking to you more.

I. Discussion Questions

A. COMPONENTS OF THE STRATEGIC PLANNING PROCESS

1. What factors in the external environment affect automobile manufacturers in the United States?

Possible answers include:

a. Foreign car manufacturers' reputations for high quality products.
b. Number and quality of suppliers.
c. Environmental regulations governing gas mileage and pollution controls.
d. Current economic crisis and economic uncertainty.
e. Trends toward more eco-friendly compact automobiles.

2. What are some examples of Walmart's strengths?

Possible answers include:

a. Sheer size of operations, allowing for massive buying power.
b. Strong business foundation created by Sam Walton.
c. Strategic placement of stores
d. Reputation for low prices

3. Suppose you work for a major hotel chain. Using Porter's five forces model, explain what you need to consider with regard to each force

Threat of Substitute Products – the likelihood that your customers will stay at a comparable hotel, the prices of other hotels, the costs of switching to another hotel chain, the comparable quality and amenities of other hotels, and the geographical availability of competition.

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Threat of New Entrants –the barriers to entry that exist to prevent competition, the capital requirements necessary and the economic conditions needed for entry, customer brand loyalty and level of brand differentiation, availability of distribution chains, government regulations, retaliation of incumbents.
Intensity of Competitive Rivalry – the aggressiveness of your competition.
Bargaining Power Of Customers – number of buyers compared to number of hotels, brand loyalty, price sensitivity.
Bargaining Power Of Suppliers – availability of suppliers, costs of switching from one supplier to another, supplier product differentiation, and in the case of employees, solidarity of labor.

B. Developing Organizational Objectives and Formulating Strategies

1. How do product development strategies differ from marketing development strategies?
Product development strategies focus on developing new products for existing customers, whereas market development strategies seek to acquire new customers for existing products.

2. Explain why some strategies work for some companies but not others.
Answers will vary. Students should recognize that there are a variety of factors such as a company's ability to effectively implement a strategy, target customers' preferences, quality and quantity of competition, economic conditions, etc.

3. What factors do firms entering foreign markets need to consider?
Firms have to consider the level of risk they are willing to take, the amount of initial investment they can safely pursue, the level of control they want over the production, distribution and marketing of their product, and the overall level of commitment to the expansion.

4. How do franchising and licensing strategies differ?
Licensing gives the company less control over the production, distribution, and marketing of the final product and raises the possibility of the licensee "stealing" the production process and opening its own business. Franchising offers the opportunity for a more interdependent relationship where the company has more control over the franchisee's activities. The franchisor often acts a supplier for the franchisee's raw materials, and controls the advertising and brand recognition.

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C. Where Strategic Planning Occurs within Firms

1. What different levels of planning can organizations utilize?
Corporate level plans – top executives develop strategic plans for the company as a whole.
Business level plans - Strategic business units (divisions of a company that have their own business or product line within the company) develop their own strategies for advancing their own business or product.
Functional level plans – functional areas or departments such as accounting, finance, marketing, etc., may develop their own strategic plans.

2. Give an example and explain how a corporation that wants to help protect the environment can do so at its corporate, business, and functional levels.
PepsiCo has committed itself to achieving business and financial success while leaving a positive imprint on society. To support PepsiCo's overall competitive strategy, all three business units must develop strategic plans to profitably produce products while demonstrating they are committed to society and the environment. At the functional (marketing) level, to increase PepsiCo's profits, employees are responsible for different products or product categories such as beverages or foods that might focus on developing healthier products and making their packaging more environmentally friendly so that the company captures more market share.

D. Strategic Portfolio Planning Approaches

1. How would you classify a product that has a low market share in a growing market?
The product is probably a question mark or problem child using the BCG matrix.

2. What does it mean to hold market share?
Companies holding market share invest only what they have to maintain the product's market position.

3. What factors are used as the basis for analyzing businesses and brands using the BCG and the GE approaches?
The BCG matrix uses the SBU's market growth rate (how fast the unit is growing compared to the industry) and its relative market share (the unit's share of the market). The GE approach uses the strengths of the business and the attractiveness of the industry (high, medium, low).

II. Practice Questions

1. Explain how a marketing objective differs from a marketing strategy. How are they related?

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A marketing objective is the goal the company wants to achieve and should be realistic and measurable. The marketing strategy describes the activities and behaviors the company will engage in to reach the marketing objective.

2. Explain how an organization like McDonald's can use franchising to create value for the brand.

One of the most common market entry methods employed by service firms is franchising. Franchising allows McDonald's to cater to consumer demands depending on locations while at the same time providing consistent quality and many consistent menu items. The franchisee also benefits from McDonald's advertising as well as the Golden Arches. For example, the menu offered at a franchise in the U.S. can differ from the one offered in a country like India. For more reference – http://www.franchisedirect.com/foodfranchises/themarketinggeniusbehindmcdonaldsfranchisesuccess/14/25

3. How has PepsiCo employed a product development strategy?

A company may introduce different variations to an existing product, such as new flavors, colors, or sizes.

4. Discuss how conducting a SWOT (strengths, weaknesses, opportunities, threats) analysis helps a firm (or an individual) develop a strategic plan.

Companies identify their strengths and any opportunities that may exist in the external environment and then, develop a strategic plan that capitalizes on these factors. Similarly, weaknesses and threats, when identified, can be anticipated and minimized to a certain degree.

5. Describe the value propositions the social networking sites YouTube and Facebook offer Web users.

YouTube and Facebook provide places for social interface and recognition. They give people a forum for self-promotion, interaction, and entertainment.

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