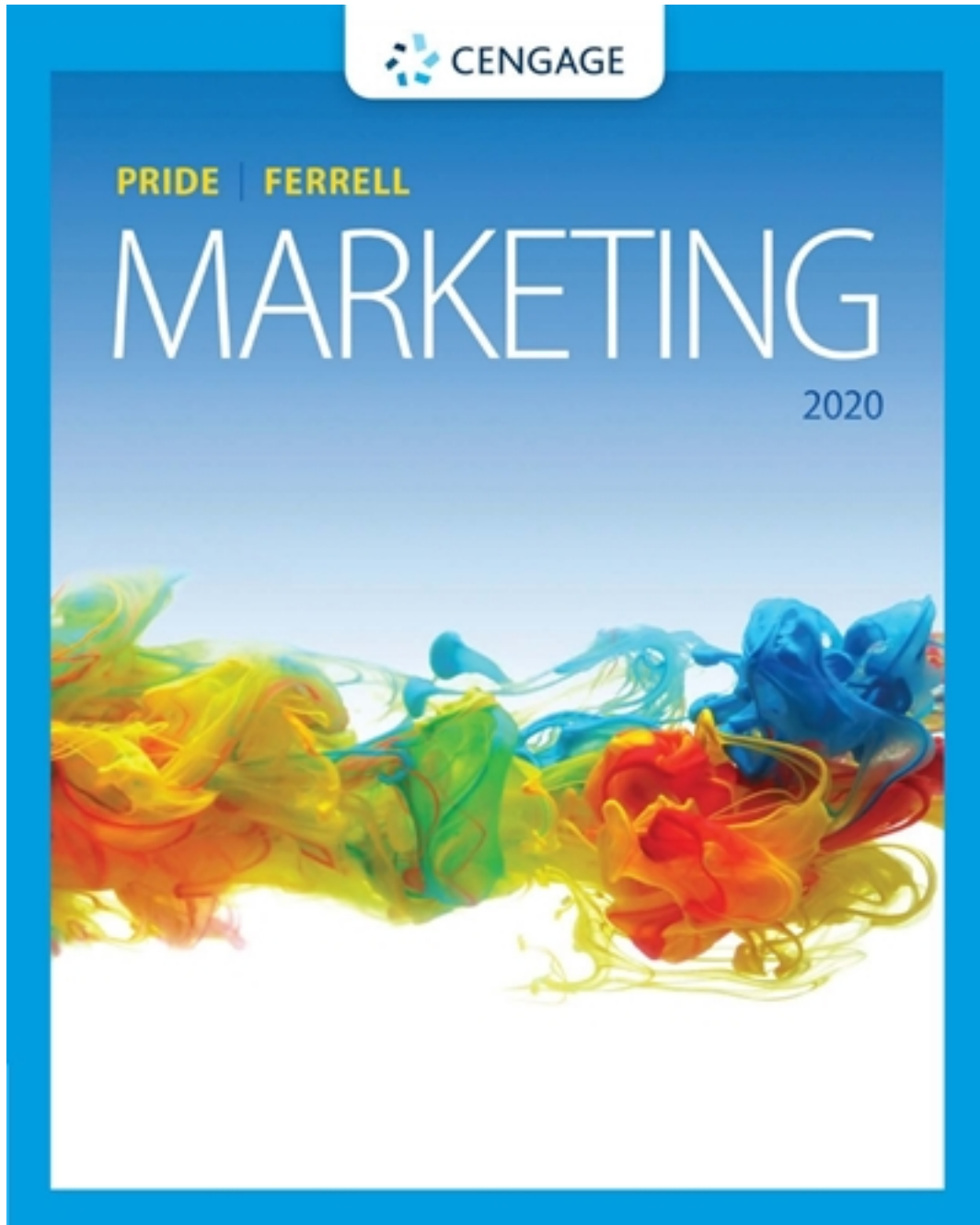


# Solutions for Marketing 20th Edition by Pride

[CLICK HERE TO ACCESS COMPLETE Solutions](#)



# Solutions

## CHAPTER 2

# Planning, Implementing, and Evaluating Marketing Strategies

## TEACHING RESOURCES QUICK REFERENCE GUIDE

Resource	Location
Key Terms	<a href="#">IRM, p. 1</a>
Side-By-Side Comparison of the Major Topics and Learning Objectives	<a href="#">IRM, p. 2</a>
What's New in this Chapter	<a href="#">IRM, p. 2</a>
Purpose and Perspective	<a href="#">IRM, p. 3</a>
Lecture Outline	<a href="#">IRM, p. 3</a>
Discussion Starters	<a href="#">IRM, p. 13</a>
Class Exercises	<a href="#">IRM, p. 15</a>
Semester Project	<a href="#">IRM, p. 18</a>
Answers to Discussion and Review Questions	<a href="#">IRM, p. 19</a>
Comments on the Cases	<a href="#">IRM, p. 22</a>
Video Case 2.1	<a href="#">IRM, p. 22</a>
Case 2.2	<a href="#">IRM, p. 23</a>
Strategic Case 1	<a href="#">IRM, p. 24</a>
MindTap Updates	<a href="#">IRM, p. 25</a>
Examination Questions: Essay	Cognero
Examination Questions: Multiple-Choice	Cognero
Examination Questions: True-False	Cognero
PowerPoint Slides	Instructor's website

## KEY TERMS

centralized organization	market opportunity	sales analysis
competitive advantage	market share	strategic business unit (SBU)
core competencies	marketing cost analysis	strategic marketing management
corporate strategy	marketing implementation	strategic performance evaluation
decentralized organization	marketing objective	strategic planning
first-mover advantage	marketing plan	strategic windows
late-mover advantage	marketing strategy	sustainable competitive advantage
market	mission statement	SWOT analysis
market growth/market share matrix	performance standard	

## SIDE-BY-SIDE COMPARISON OF THE MAJOR TOPICS AND LEARNING OBJECTIVES

A-Head	Learning Objective
2-1 The Strategic Planning Process	2-1 Explain the strategic planning process.
2-2 Establishing Mission, Goals, and Strategies	2-2 Understand the importance of a firm's mission statement and corporate and business-unit strategy.
2-3 Assessing Organizational Resources and Opportunities	2-3 Discuss how analyzing organizational resources and the marketing environment can help identify opportunities and create competitive advantage.
2-4 Developing Marketing Objectives and Marketing Strategies	2-4 Explore how a firm develops marketing objectives and strategies that contribute to overall objectives.
2-5 Managing Marketing Implementation	2-5 Identify what is necessary to manage the effective implementation of marketing strategies.
2-6 Evaluating Marketing Strategies	2-6 Describe the four major elements of strategic performance evaluation.
2-7 Creating the Marketing Plan	2-7 Outline the development of a marketing plan.

## WHAT'S NEW IN THIS CHAPTER

- A new Marketing Insights feature explores Tesla Motors' marketing strategy
- New examples involving Facebook and Slack illustrate the "Developing Organizational Mission and Goals" section
- A new Creative Marketing boxed feature explores Tiffany & Co.'s use of mobile marketing to achieve its goals
- New examples on GE's and Ford's updated strategies are in the "Corporate Strategies" content
- New examples about PepsiCo and Polaris Industries are in the "Business-Unit Strategies" content
- The "Competitive Growth Strategies" section includes new or updated examples of competitive strategies on Coca-Cola, Baskin-Robbins, Fender Guitars, and Nokia
- A new example involving Tommy Hilfiger is in the "Assessing Organizational Resources and Opportunities" section
- A new Disruptive Marketing boxed feature discusses how Amazon's Alexa voice-activated artificial intelligence is changing retailing
- The "First-Mover and Late-Mover Advantage" content has a new example about Google Home's late-mover advantage
- A new Snapshot feature examines marketer confidence
- New examples about Samsung and Thor industries illustrate the "Developing marketing Objectives and marketing Strategies" section
- New Video Case 2.1 explores Tesla's strategy for growth

- New Case 2.2 describes how Crayola has remained relevant by adding new products and taking advantage of new technologies

## PURPOSE AND PERSPECTIVE

This chapter focuses on strategic planning. We begin this chapter with an overview of the strategic planning process. Next, we examine the process of strategic planning and the importance of missions and goals, corporate and business-unit strategies, and resources and opportunities to an organization's strategy. We then explore how to implement the marketing strategy and the creation of the marketing plan. These elements provide a framework for an analysis of the development, implementation, and evaluation of marketing strategies, as we will see throughout the remainder of this book.

## LECTURE OUTLINE

### I. Introduction

- A. **Strategic marketing management** is the process of planning, implementing, and evaluating the performance of marketing activities and strategies, both effectively and efficiently.
  - a. Effectiveness is the degree to which long-term customer relationships help achieve an organization's objectives/
  - b. Efficiency refers to minimizing the resources an organization uses to achieve a specific level of desired customer relationships.
- B. The overall goal of strategic marketing management is to facilitate desirable customer relationships and reduce costs.

### II. The Strategic Planning Process

- A. The process of **strategic planning** helps a firm establish an organizational mission and formulate goals, a corporate strategy, marketing objectives, and a marketing strategy (see Figure 2.1).
  1. The process begins with the establishment or revision of an organization's mission and goals.
  2. The corporation and individual business units then develop strategies to achieve these goals.
  3. The company then analyzes its strengths and weaknesses and identifies opportunities and threats within the external marketing environment.
  4. Each functional area of the organization establishes its own objectives and develops strategies to achieve them, which must support the organization's overall goals and mission and should be focused on market orientation.

### III. Establishing Organizational Mission Statements and Goals

- A. The goals of any organization derive from its **mission statement**, a long-term view or vision of what the organization wants to become. An organization's mission really answers two questions:
  1. *Who are our customers?*
  2. *What is our core competency?*
- B. A company's mission, goals, and objectives must be properly implemented to achieve and communicate the desired corporate identity—a company's unique symbols, personalities, and philosophies.

1. An organization's goals and objectives, derived from its mission statement, guide its planning efforts.
2. Goals focus on the end results sought by the organization.

C. Developing Corporate and Business-Unit Strategies

1. Strategic planning often begins at the corporate level and proceeds downward to the business-unit and marketing levels (see Figure 2.2). However, organizations are increasingly developing strategies and conducting strategic planning that moves in both directions to seek expertise from multiple levels.
2. Corporate strategy should be developed with the organization's overall mission in mind, business-unit strategy should be consistent with corporate strategy, and marketing strategy should be consistent with both.
3. Corporate Strategies
  - a. **Corporate strategy** determines the means for utilizing resources in the functional areas of marketing, production, finance, research and development (R&D), and human resources to achieve the organization's goals.
  - b. Corporate strategy planners are concerned with broad issues such as organizational culture, competition, differentiation, diversification, interrelationships among business units, and environmental and social issues.
  - c. They attempt to match the resources of the organization with the opportunities and threats in the environment.
4. Business-Unit Strategies
  - a. A **strategic business unit (SBU)** is a division, product line, or other profit center within the parent company. Strategic planners should recognize the performance capabilities of each SBU and carefully allocate resources among the divisions.
  - b. A **market** is a group of individuals and/or organizations that have needs for products in a product class and have the ability, willingness, and authority to purchase those products. The percentage of a market that actually buys a specific product from a particular company is referred to as that product's (or business unit's) **market share**.
  - c. The **market-growth/market-share matrix**, developed by the Boston Consulting Group (BCG), is based on the philosophy that a product's market growth rate and its market share are important considerations in determining its marketing strategy.
    - (1) All the organization's SBUs and products are integrated into a single matrix and compared and evaluated to determine appropriate strategies for individual products and overall portfolio strategies.
    - (2) Managers use this model to determine and classify each product's expected future cash contributions and future cash requirements.
    - (3) The BCG analytical approach is more of a diagnostic tool than a guide for making strategy prescriptions.
    - (4) This model classifies an organization's products into four basic types (see Figure 2.3):

- (a) *Stars* have a dominant share of the market and good prospects for growth; they use more cash than they generate to finance growth, add capacity, and increase market share. Example: Amazon's Fire tablet computers
  - (b) *Cash cows* have a dominant share of the market but low prospects for growth; they typically generate more cash than is required to maintain market share. Example: Procter & Gamble's Bounty paper towels
  - (c) *Dogs* have a subordinate share of the market and low prospects for growth; these products are often found in established markets. Example: MP3 players to Apple as more customers listen to music on their smartphones
  - (d) *Question marks*, sometimes called "problem children," have a small share of a growing market and generally require a large amount of cash to build market share. Example: Google Home voice-activated speaker relative to Amazon's Echo with Alexa
- d. The long-term health of an organization depends on having a range of products, some that generate cash (and provide acceptable profits) and others that use cash to support growth.
- 5. Competitive Growth Strategies
  - a. Based on analyses of each product or business unit, a firm may choose one or more competitive strategies. Figure 2-4 shows these competitive strategies on a product-market matrix.
  - b. *Market penetration* is a strategy of increasing sales in current markets with current products.
  - c. *Market development* is a strategy of increasing sales of current products in new markets.
    - (1) Market development also occurs when a company introduces its products into international markets for the first time.
  - d. *Product development* is a strategy of increasing sales by improving present products or developing new products for current markets (e.g. automotive industry).
  - e. *Diversification* is a strategy of developing new products to be sold in new markets. Diversification allows firms to make better and wider use of their managerial, technological, and financial resources.
    - (1) Diversification also offers some advantages over single-business firms because it allows firms to spread their risk across a number of markets.

#### IV. Assessing Organizational Resources and Opportunities

- A. The strategic planning process begins with an analysis of the marketing environment, which can influence an organization's goals, resources, and opportunities.
- B. Strategic planning must assess an organization's available financial and human resources and capabilities and how these resources are likely to change over time. Resources can include:
  - 1. Customer satisfaction and loyalty
  - 2. Goodwill

3. Reputation
  4. Brand names
  5. **Core competencies**, things a firm does extremely well—sometimes so well that they can give the company an advantage over its competition.
- C. Analysis of the marketing environment also includes identifying opportunities in the marketplace, which requires a solid understanding of the company's industry.
1. A **market opportunity** exists when the right combination of circumstances and timing permits an organization to take action to reach a particular target market.
  2. **Strategic windows** are temporary periods of optimal fit between the key requirements of a market and the particular capabilities of a firm competing in that market.
- D. A company is said to have a **competitive advantage** when it matches a core competency to opportunities it has discovered in the marketplace.
- E. SWOT Analysis
1. A **SWOT analysis** is one tool marketers use to assess an organization's strengths, weaknesses, opportunities, and threats (see Figure 2.5).
  2. Strengths and weaknesses are internal factors that can influence an organization's ability to satisfy its target markets.
    - a. *Strengths* refer to competitive advantages or core competencies that give the organization an advantage in meeting the needs of its target markets.
    - b. *Weaknesses* are (internal) limitations a company faces in developing or implementing a marketing strategy.
    - c. Both strengths and weaknesses should be examined from a customer perspective.
  3. Opportunities and threats affect all organizations within an industry, market, or geographic region because they exist outside of and independently of the company.
    - a. *Opportunities* refer to favorable conditions in the environment that could produce rewards for the organization if acted upon.
    - b. *Threats* refer to barriers that could prevent the organization from reaching its objectives.
  4. When an organization matches internal strengths to external opportunities, it creates competitive advantages in meeting the needs of its customers.
  5. Companies should attempt to convert internal weaknesses into strengths and external threats into opportunities.
- F. First-Mover and Late-Mover Advantage
1. A **first-mover advantage** is the ability of an innovative company to achieve long-term competitive advantages by being the first to offer a certain product in the marketplace.
    - a. Benefits include building a reputation as a market leader, reducing competition, establishing brand loyalty, and protecting trade secrets.
    - b. Risks include high costs associated with creating and marketing a new product, slower than predicted sales growth, and the potential for product failure.



2. A **late-mover advantage** is the ability of later market entrants to achieve long-term competitive advantages by not being the first to offer a certain product in a marketplace.
  - a. Benefits include learning from first-mover's mistakes, improved products and marketing strategies, lower initial investment costs, more market certainty, and more educated buyers.
  - b. Risks include first-movers holding patents and other protections on products and difficulty in convincing consumers to change brands.
  - c. The timing of entry to the market is crucial and can determine the amount of advantage.

## V. Developing Marketing Objectives and Marketing Strategies

- A. A **marketing objective** states what is to be accomplished through marketing activities.
  1. Objectives can be given in terms of product introduction, product improvement or innovation, sales volume, profitability, market share, pricing, distribution, advertising, or employee training activities.
  2. Objectives should be based on a careful study of the SWOT analysis, matching strengths to opportunities, eliminating weaknesses, and minimizing threats.
  3. Marketing objectives should:
    - a. Be expressed in clear, simple terms
    - b. Be measurable
    - c. Specify a time frame for its accomplishment
    - d. Be consistent with both business-unit and corporate strategies
    - e. Be achievable and use company resources effectively, and successful accomplishment should contribute to the overall corporate strategy
- B. A **marketing strategy** is the selection of a target market and the creation of a marketing mix that will satisfy the needs of target market members.
  1. Marketing strategies may need to be adapted as the environment changes.
- C. Selecting the Target Market
  1. Selecting an appropriate target market may be the most important decision a company makes in the strategic planning process and is crucial for strategic success.
  2. The target market must be chosen before the organization can adapt its marketing mix to meet the customers' needs and preferences.
  3. When exploring possible target markets, marketing managers try to evaluate how entry could affect the company's sales, costs, and profits.
  4. Marketers should determine whether a selected target market aligns with the company's overall mission and objectives.
  5. Marketers should also assess whether the company has the resources to develop the right marketing mix to meet the needs of a particular target market. The size and number of competitors is also a concern.

## D. Creating the Marketing Mixes



1. The decisions made in creating a marketing mix are only as good as the organization's understandings of the target market.
2. Understanding comes from careful in-depth research into demographics as well as customer needs, preferences, and behavior with respect to product design, pricing, distribution, and promotion.
3. Marketing mix decisions should be consistent with the business-unit and corporate strategies as well as flexible enough to permit the organization to alter the marketing mix in response to changes in marketing conditions, competition, and customer needs.
4. Utilizing the marketing mix as a tool set, a company can detail how it will achieve a **sustainable competitive advantage**--one that the competition cannot copy in the foreseeable future.

## VI. Managing Marketing Implementation

A. **Marketing implementation** is the process of putting marketing strategies into action.

B. Organizing the Marketing Unit

1. The structure and relationships of a marketing unit, including establishing lines of authority and communication that connect and coordinate individuals, strongly affect marketing activities.
2. Companies that truly adopt the marketing concept develop an organizational culture that is based on a shared set of beliefs that places the customer's needs at the center of decisions about strategy and operations.
3. Firms must decide whether operations should be centralized or decentralized, a choice that directly impacts marketing decision making and strategy.
  - a. In a **centralized organization**, top-level managers delegate little authority to lower levels. Most traditional organizations are highly centralized.
  - b. In a **decentralized organization**, decision-making authority is delegated as far down the chain of command as possible. Decentralized authority allows the company to adapt more rapidly to customer needs.
4. Organizing marketing activities to align with the overall strategic marketing approach enhances organizational efficiency and performance.
5. A marketing department should clearly outline the hierarchical relationships between personnel and who is responsible for performing certain activities and making decisions.

C. Coordinating and Communicating

1. To achieve marketing objectives, marketing managers must coordinate actions within and across departments, firms, and external organizations to ensure that marketing activities align with other functions of the firm.
2. Marketing managers can improve coordination by making each employee aware of how his or her job relates to others and how his or her actions contribute to the achievement of marketing objectives.
3. Marketing managers must be in clear communication with the firm's upper-level management to ensure that they are aware of the firm's goals and achievements and

that marketing activities are consistent with the company's overall goals and strategies.

4. Communication that flows upward from the front lines of the organization to higher-level marketing managers provides important information about the needs of customers and employees.
5. Training provides employees with a forum to learn and ask questions, and results in employees who are empowered and can be held accountable for their performance.
6. Information systems expedite communications within and between departments and support other activities, such as allocating scarce organizational resources, planning, budgeting, sales analyses, performance evaluations, and report preparation.
7. Managers must address their employees' needs and then develop motivational methods that will help employees satisfy those needs.
8. Employee rewards should be tied to organizational goals.
9. A firm can motivate its workers by directly linking pay with performance, informing workers how their performance affects department and corporate results, following through with appropriate and competitive compensation, implementing a flexible benefits program, and adopting a participative management approach.
10. Managers should also use a variety of other tools, including nonfinancial rewards such as prestige or recognition, job autonomy, skill variety, task significance, increased feedback, or even a more relaxed dress code.

#### D. Establishing a Timetable for Implementation

1. Successful marketing implementation requires that employees know the specific activities for which they are responsible and the timetable for completing each activity.
2. Establishing an implementation timetable involves several steps:
  - a. Identifying the activities to be performed
  - b. Determining the time required to complete each activity
  - c. Separating the activities to be performed in sequence from those to be performed simultaneously
  - d. Organizing the activities in the proper order
  - e. Assigning responsibility for completing each activity to one or more employees, teams, or managers
3. Since scheduling can be a complicated task, some organizations use sophisticated computer programs to plan the timing of marketing activities.

## VI. Evaluating Marketing Strategies

- A. **Strategic performance evaluation** consists of establishing performance standards, measuring actual performance, comparing actual performance with established standards, and modifying the marketing strategy, if needed.
- B. Establishing Performance Standards

1. A **performance standard** is an expected level of performance against which actual performance can be compared, such as a reduction in customer complaints, a sales quota, or an increase in new-customer accounts.
  2. Marketing objectives directly or indirectly set forth performance standards, usually in terms of sales, costs, or communication dimensions.
- C. Analyzing Actual Performance
1. The principle means by which a marketer can gauge whether a marketing strategy has been effective in achieving objectives is by analyzing the actual performance of the marketing strategy.
  2. Technology advancements have made it easier for firms to analyze actual performance.
- D. Sales Analysis
1. **Sales analysis** uses sales figures to evaluate a firm's current performance.
  2. A common method of evaluation because sales data are readily available and can reflect the target market's reactions to a marketing mix.
  3. To be useful, marketers must compare current sales data with forecasted sales, industry sales, specific competitors' sales, and the cost incurred from marketing efforts to achieve the sales volume.
  4. The basic unit of measurement is the sales transaction, which includes the quantity, terms, the salesperson or sales team, and the date.
  5. Firms frequently use dollar volume in their sales analysis because the dollar is a common denominator of sales, costs, and profits.
  6. A marketing manager who uses dollar-volume analysis should factor out the effects of price changes, which can skew the numbers by making it seem that more or fewer sales have been made than is the actual case.
  7. Market share analysis lets a company compare its marketing strategy with competitors' strategies and estimate whether sales changes have resulted from the firm's marketing strategy or from uncontrollable environmental forces. However, the results must be interpreted carefully.
- E. Marketing Cost Analysis
1. **Marketing cost analysis** breaks down and classifies costs to determine which are associated with specific marketing efforts.
  2. By pinpointing exactly where a company incurs costs, this form of analysis can help isolate profitable or unprofitable customers, products, and geographic areas.
  3. A company that understands and manages its costs appropriately has a competitive advantage and can compete on price.
  4. One way to analyze costs is by comparing a company's costs with industry averages; however, a company should take into account its own unique situation.
  5. Costs can be categorized into fixed costs (always the same over time) such as rent, as well as variable costs (affected by sales or production volume) such as the cost to produce products. They can also be categorized by whether they can be linked to a specific business function.

- F. Comparing Actual Performance with Performance Standards and Making Changes, If Needed
  - 1. Comparing actual performance with established performance standards can result in actual performance exceeding performance standards or actual performance failing to meet performance standards.
  - 2. It is important to find out why a particular strategy is effective or ineffective so that it can be improved.
  - 3. Marketers may have to alter the marketing objective to make it more realistic.

## V. Creating the Marketing Plan

- A. The strategic planning process ultimately yields a marketing strategy that is the framework for a **marketing plan**, a written document that specifies the marketing activities to be performed to implement and evaluate the organization's marketing strategies.
  - 1. It provides a uniform marketing vision for the firm and is the basis for internal communication among employees.
  - 2. It delineates marketing responsibilities and tasks and outlines schedules for implementation.
  - 3. It presents objectives and specifies how resources are to be allocated to achieve these objectives.
  - 4. It helps marketing managers monitor and evaluate the performance of a marketing strategy.
  - 5. A company may develop multiple marketing plans, with each relating to a specific brand or product.
  - 6. Organizations use many different formats, and it is important to make sure that it aligns with corporate and business-unit strategies and is shared with all key employees.
  - 7. Marketing planning and implementation are closely linked in successful companies.
    - a. The marketing plan provides a framework to stimulate thinking and provide strategic direction.
    - b. Implementation is an adaptive response to day-to-day issues, opportunities, and unanticipated situations that cannot be incorporated into marketing plans.
- B. The major components of a marketing plan include (see Table 2.1):
  - 1. The executive summary, a one- to two-page synopsis of the entire marketing plan.
  - 2. The environmental analysis, which provides information about the company's current situation with respect to the marketing environment, the target market, and the firm's current objectives and performance.
  - 3. The SWOT analysis, which assesses the organization's strengths, weaknesses, opportunities, and threats.
  - 4. The marketing objectives, a specification of the company's marketing objectives that includes qualitative and quantitative measures of what is to be accomplished.
  - 5. The marketing strategies, which outlines how the company will achieve its objectives (identifies the target market(s) and marketing mix).

6. The marketing implementation section, which outlines how the company will implement its marketing strategies.
7. The performance evaluation section, which explains how the company will evaluate the performance of the implemented plan (includes performance standards, financial controls, and monitoring procedures).

## DISCUSSION STARTERS

### Discussion Starter 1: Identifying Core Competencies

ASK: *What are McDonald's core competencies?*

Many students will focus on food, but the key to McDonald's success is a focus on consistency. McDonald's restaurants all look very similar and serve a very consistent product. Customers know what they will receive, no matter where they are in the world.

ASK: *How many of you have eaten in McDonald's in other countries? What was similar to the local McDonald's?*

McDonald's goal is to have a consistent product, service and environment throughout the world. This consistency gives the consumer confidence that the purchase will meet expectations. The other competency McDonald's possesses is the ability to identify local menu items which fit within McDonald's offerings.

### Discussion Starter 2: Mission Statements

Present Ben and Jerry's Social, Product, and Economic mission statements (available at <http://www.benjerry.com/values>) as well as New Belgium Brewing's history and mission statement—or what it calls its purpose statement (available at <https://www.newbelgium.com/brewery/company/what-were-about/>).

Discuss these two companies that are known for their high ethical standards and their mission statements. Mission statements are important because they act as a compass to lead the company in the right direction. Using the section in the book about mission statements, have students analyze their strengths and weaknesses.

ASK: *Can you think of any companies that are unique or different? Do you think their uniqueness is reflected in their mission statements?*

Have students look up these companies' mission statements on their websites and analyze their content.

### Discussion Starter 3: Marketing Debate: Should Drugstores Sell Tobacco Products?

ASK: *Do you believe eliminating tobacco products from its product offerings aligns with CVS's mission to help consumers stay healthy?*

Student answers might vary, but many will likely believe that eliminating tobacco products—a dangerous product that can cause illness such as lung cancer—does align with CVS's mission to become more of a healthcare company. Those who might not agree may claim that consumers should have the freedom of choice to buy and consume a product that might be harmful as long as it is legal.

ASK: *What are some strengths and weaknesses of CVS's decision to eliminate tobacco products?*

Strengths include better alignment with its mission to help consumers remain healthy and adoption of a bold strategy that competitors do not yet want to imitate. Weaknesses include the \$2 billion in lost sales that dropping tobacco products will cause.

ASK: *What are some opportunities and threats to CVS as it eliminates tobacco products?*

Opportunities include strong support from and perhaps strategic partnerships with healthcare firms, consumer advocates, and attorneys general. A greater emphasis on healthy living and lower rates of tobacco usage also present opportunities for CVS. Threats include the alienation of smoking customers or

the possibility that other competitors will follow CVS's lead (thereby eliminating its competitive advantage).

#### **Discussion Starter 4: Internal Marketing**

Marketing is not just for external customers. Internal marketing refers to the coordination of internal exchanges between the organization and its employees to better achieve successful external exchanges between the organization and its customers. The following questions should help students think about how the organizations they work for try to create internal loyalty to the company or brand.

*ASK: How many of you work for firms that have internal marketing efforts?*

Many of the students will work for firms that offer programs and benefits designed to bond the employees to the brand. For example, banks such as Bank of America offer employees access to websites that provide discounts. Other companies have added social-media areas to their internal networks.

*ASK: Why is internal marketing so important?*

In order to reach the new generation of workers, many firms are turning to their own media. An excellent example is Ernst & Young's use of Facebook. Originally targeted at recruits, this initiative now serves employees as well as alumni and bonds the individuals within the organization together. It has career Facebook pages for the United States, United Kingdom, Australia and New Zealand, India, Malaysia, and more. The following link connects to the Ernst & Young Facebook page for U.S. careers:

<https://www.facebook.com/eyuscareers>

*(Note: You can access this page even if you are not signed into Facebook. Nevertheless, be careful to screen what is viewed in class as there may be objectionable information on many sites.)*

*ASK: Do you think these efforts will be successful? Should other firms use this technique as part of their internal marketing efforts?*

Students should be able to support their answers to this question.



## CLASS EXERCISES

### Class Exercise 1: Evaluating Intel's Evolving Mission Statement

The mission statement of Intel Corporation has changed over the years:

1995 Do a great job for our customers, employees, and stockholders by being the preeminent building block supplier to the computing industry.

2000 Intel's mission is to be the preeminent building block supplier to the worldwide internet economy.

2014 Delight our customers, employees, and shareholders by relentlessly delivering the platform and technology advancements that become essential to the way we work and live.

1. What are the core components of a good mission statement? After reviewing the above statements from Intel, are they effective mission statements, or are their core components missing?
2. How has Intel's mission statement changed over time? What might be driving these changes in its mission?
3. Identify Intel activities consistent with their 2014 mission statement.
4. Do you get a clear sense of Intel's strategy from the 2014 mission statement? If so, describe Intel's strategy, based on this statement alone, for the next 5 to 10 years.

### Class Exercise 2: A Personal SWOT Analysis Related to Getting a Great Job After Graduation

Strengths and weaknesses are internal factors that can influence an organization's ability to satisfy target markets. Strengths refer to competitive advantages, or core competencies, that give the company an advantage. Weaknesses are limitations a company faces in developing or implementing a marketing strategy.

Opportunities and threats affect all organizations within an industry, market, or geographic region because they exist outside of and independently of the company. Opportunities refer to favorable conditions in the environment that could produce rewards for the organization if acted upon.

Opportunities are situations that exist but must be exploited for the company to benefit from them.

Threats, on the other hand, refer to barriers that could prevent the company from reaching its objectives.

Ask each student at the beginning of class to silently generate a SWOT analysis of their strengths, weaknesses, opportunities, and threats for getting a great job when they graduate. More specifically, have them write out at least three strengths, three weaknesses, three opportunities they foresee, and three threats that may impact their getting a job after college.

Have students refer to *Figure 2.5* in the text for matching strengths to opportunities and converting weaknesses to strengths and threats to opportunities. Most importantly, ask each student to put an asterisk in the SWOT quadrant they believe is most important and why. This exercise should take approximately 5 to 10 minutes.

*Note:* After the students have handed in their work, conduct a quick frequency count on each of the four quadrants that students marked as most important. Then ask the students to answer the following question:

According to the SWOT analysis data generated and discussed in class, the quadrant that was deemed to be the most important by our class was \_\_\_\_\_ and the quadrant deemed to be the least important was \_\_\_\_\_.

- A) opportunities; threats
- B) strengths; threats
- C) strengths; weaknesses
- D) weaknesses; threats
- E) threats; opportunities

Hopefully students will find that either strengths or opportunities are most important and weaknesses are least important. Have the students discuss their answers.

### **Class Exercise 3: Developing Marketing Objectives and Marketing Strategies for SodaStream**

SodaStream manufactures carbonation systems that allow customers to make their own sodas at home. Its products are sold in retailers ranging from Walmart and Sears to Amazon and Williams-Sonoma. Critical of the amount of waste generated by beverage companies, SodaStream systems include a reusable bottle to help cut back on the plastic/aluminum ending up in landfills. However, other beverage companies are becoming increasingly green and challenging SodaStream's green message. Both Keurig Green Mountain and Cuisinart have home carbonation systems available that are alternatives to SodaStream's system. While currently controlling a very small percentage of the global soda market, SodaStream hopes that one day it will be its leader.

1. List a few possible marketing objectives for SodaStream.
2. Who do you think is SodaStream's target market?
3. What marketing strategies does SodaStream currently apply?
4. Evaluate SodaStream's current marketing mix. Are there areas of the mix that you would modify?

### **Class Exercise 4: Boston Consulting Group Market Growth/Market Share Matrix for Apple Strategic Business Units**

Apple Inc. is an American multinational corporation that designs, develops, and sells consumer electronics, computer software, online services, and personal computers. Some of Apple's strategic business units are Mac personal computers, iPad tablets, iPod digital music players, iPhone smartphones, Apple TV, and OS X operating system.

Using the market growth/market share matrix developed by the Boston Consulting Group, classify each of Apple's strategic business units listed above into one of these four basic types:

**Star:** A product with a dominant share of the market and good prospects for growth. It uses more cash than it generates to finance growth, add capacity, and increase market share.

**Cash Cow:** A product that has a dominant share of the market, but low prospects for growth. It typically generates more cash than is required to maintain market share.

**Dog:** A product that has a subordinate share of the market and low prospects for growth. It is often found in established markets.

**Question Mark:** A product that has a small share of a growing market and generally requires a large amount of cash to build market share. It is sometimes called “problem child.”

## SEMESTER PROJECT

As outlined in Chapter 2, the strategic planning process begins with an assessment of the organization's current state. This task is generally accomplished through a SWOT analysis. In order to plan a successful career, you too must understand your strengths and weaknesses. This exercise is designed to help you conduct a personal SWOT analysis.

### Step 1: Internal Assessment

The first step is to begin with a self-assessment. There are many tools available to help you identify your own strengths and weaknesses. The following website contains a wide variety of tools to assist you in identifying your wants and capabilities. [http://www.mindtools.com/pages/article/newTMC\\_05\\_1.htm](http://www.mindtools.com/pages/article/newTMC_05_1.htm)

Write a brief statement about the results of your internal assessment. Remember, the key is to be honest with yourself.

### Step 2: External Assessment

Personality testing is used to help you identify careers that make the best use of your personality type. Organizations also use personality testing to identify ideal job candidates, testing applicants to determine if personality profiles meet the job requirements. Access to personality testing is often available through campus career resource centers. If your campus does not provide this service, then try online versions such as <http://www.humanmetrics.com/cgi-win/JTypes1.htm>. After completing the online test, you will be given a series of four letters. These letters represent your personality type and can be used to search for careers fitting your personality.

Another means of identifying your strengths and weaknesses is to ask those around you to discuss these attributes with you. The second part of this exercise is to seek three people who know you in different capacities. Ask these three people to discuss with you your key strengths and weaknesses. Key people to ask include your boss, a professor who knows you well, and a long-time friend. Honest responses will help you better understand yourself, so ask for direct responses.

Write a brief report on the key insights gained from these exercises.

## ANSWERS TO DISCUSSION AND REVIEW QUESTIONS

### 1. Identify the major components of strategic planning, and explain how they are interrelated.

The major components of strategic planning include analysis of the organization's strengths and weaknesses and identification of its threats and opportunities, establishment of an organizational mission and goals, and development of corporate and business-unit strategies. Within the marketing area, the process continues with the establishment of marketing objectives, development of a marketing strategy and, ultimately, the creation of a marketing plan.

### 2. Explain how an organization can create a competitive advantage at the corporate strategy level and at the business-unit strategy level.

A competitive advantage exists when an organization matches its core competency to opportunities it has discovered in the marketplace. One way a firm can achieve a competitive advantage at the corporate level is through corporate mergers. The talents and abilities one corporation possesses can be combined with different competencies of another organization and matched to opportunities in the marketplace. At the business-unit level, an organization can develop a competitive advantage by intensifying growth in those products that the organization has mastered and those that also have great customer-market potential. A competitive advantage can also be created when a company has the foresight to diversify into other markets and/or products which capitalize on existing skills and knowledge. At the marketing strategy level, developing a competitive advantage relies on careful analysis of customers and their needs and then selecting the appropriate target market for the organization's core competencies.

### 3. How might a planner decide on competitive growth strategies using tools such as the market growth/market share matrix (Figure 2.3) and product-market matrix (Figure 2.4)?

The market growth/market share matrix enables a strategic planner to classify a company's products into four basic types: stars, cash cows, dogs, and question marks. It is based on the philosophy that a product's market growth rate and its market share are important considerations in determining marketing strategy. The long-term health of an organization depends on having a range of products, some that generate cash (and generate acceptable profits) and others that use cash to support growth. The product-market matrix can help in determining growth that can be implemented through marketing strategies. The matrix can help planners select an appropriate competitive strategy—market penetration, product development, market development, or diversification—for growth.

### 4. What are some issues to consider in analyzing a firm's resources and opportunities? How do these issues affect marketing objectives and marketing strategy?

The strategic planning process begins with an analysis of the marketing environment, including economic, competitive, political, legal and regulatory, technological, and socio-cultural forces. The process must also include an assessment of an organization's available financial and human resources and capabilities, as well as how the level of these resources is likely to change. These analyses help the firm pinpoint its core competencies and identify market opportunities which the organization can exploit through carefully crafted marketing strategies.

### 5. What is SWOT analysis and why is it important?

A SWOT analysis outlines the internal strengths and weaknesses of a firm and the external opportunities and threats. This information can be used to develop appropriate strategies for converting weaknesses into strengths, threats into opportunities, and to match strengths to opportunities.

### 6. How can an organization make its competitive advantages sustainable over time? How difficult is it to create sustainable competitive advantages?

A sustainable competitive advantage is one that the competition cannot copy in the foreseeable future. Maintaining a sustainable competitive advantage requires flexibility in the marketing mix when facing uncertain competitive environments. It is difficult to create a sustainable competitive advantage, but it can be done by being a first-mover in a market or by offering the highest quality products.

**7. How should organizations set marketing objectives?**

A marketing objective states what is to be accomplished through marketing activities. These objectives can be stated in terms of product introduction, product improvement or innovation, sales volume, profitability, market share, pricing, distribution, advertising, or employee training activities. Marketing objectives must be consistent with the organization's goals. They should be written so that they are clear and measurable, and should state what is to be accomplished in what time frame.

**8. What are the two major parts of a marketing strategy?**

The two major parts of a marketing strategy are selecting a target market and creating a marketing mix. The target market must be chosen before the organization can adapt its marketing mix to meet the customers' needs and preferences. The marketing mix should be consistent with the business-unit and corporate strategies and flexible enough to adapt to changing conditions.

**9. When considering the strategic planning process, what factors influence the development of a marketing strategy?**

A marketing strategy should match the organization's corporate strategy and help the organization to achieve its goals. A marketing strategy articulates the best use of the company's resources to achieve its marketing objectives. It should also match customers' desires for value with the organization's distinctive capabilities.

**10. Identify and explain the major managerial actions that are a part of managing the implementation of marketing strategies.**

The implementation of marketing strategies requires managers to organize the marketing department (with centralized or decentralized power), motivate marketing personnel (through both financial and non-financial incentives), effectively communicate within the marketing department and with other departments, coordinate all marketing activities and ensure that all employees understand how they are contributing to the marketing strategy, and establish a timetable for the completion of each marketing activity.

**11. Which element of the strategic planning process plays a major role in the establishment of performance standards? Explain.**

As part of the strategic planning process, marketers set marketing objectives that indicate what a marketing strategy is supposed to accomplish. Marketing objectives directly or indirectly set forth performance standards, usually in terms of sales, costs, or communication dimensions, such as brand awareness or product feature recall. Actual performance should be measured in similar terms to facilitate comparisons and to make sure that the marketing department is achieving its objectives.

**12. When assessing actual performance of a marketing strategy, should a marketer perform marketing cost analysis? Why or why not?**

Marketers should perform marketing cost analysis to get a complete picture of marketing activities. A marketing strategy that successfully generates sales may also be extremely costly, so firms should know the marketing costs associated with using a given strategy. Marketing cost-based analysis breaks down and classifies costs to determine which are associated with specific marketing efforts. By comparing costs of previous marketing activities with their results, a marketer can better allocate the firm's marketing resources in the future.

**13. Identify and explain the major components of a marketing plan.**

The major parts of a marketing plan include the executive summary, which provides an overview of the entire marketing plan; the environmental analysis, which supplies information about the company's current situation with respect to the marketing environment, the target market, and the firm's current objectives and performance; the SWOT analysis, which assesses an organization's strengths, weaknesses, opportunities, and threats; the marketing objectives, which state what the company wants to accomplish through marketing activities and describes the target market and the marketing mix; the marketing implementation section, which outlines how marketing strategies will be implemented; and the performance evaluation section, which establishes standards for how results will be measured, evaluated, and adjusted.



## COMMENTS ON THE CASES

### *VIDEO CASE 2.1: INSIDE TESLA'S STRATEGY FOR GROWTH*

#### Summary

This case describes how Tesla, an electric vehicle and clean energy company, created an aggressive strategic plan and how, CEO Elon Musk, is accomplishing the organization's goals. While Tesla is racing to accomplish its mission "to accelerate the advent of sustainable transport by bringing compelling mass market electric cars to market as soon as possible," parts shortages and missed production targets have some investors worried. Undeterred, Musk has released plans for several new models, built a gigafactory to produce lithium-ion batteries, and is expanding the company's supercharger network.

#### Questions for Discussion

##### 1. How would you describe Tesla's strengths, weaknesses, opportunities, and threats?

Students may want to answer this question in a SWOT matrix (see Figure 2.5).

*Strengths:* One strength, according to the case, is Tesla's expertise in renewable-energy technology. Another strength is Tesla's ability to design stylish cars that stand out.

*Weaknesses:* One of Tesla's weaknesses is its difficulty in increasing production quickly enough to meet demand.

*Opportunities:* A key opportunity for Tesla is increased consumer interest in good-looking green vehicles.

*Threats:* A key threat for Tesla to address is the difficulty in securing parts in sufficient quantities to support the company's ambitious sales and production targets.

In addition, students may suggest other strengths, weaknesses, opportunities, and threats.

##### 2. What are Tesla's core competencies, and how do they help the company compete with long-established car companies?

Tesla's strength in renewable-energy technology reflects its core competency in designing and manufacturing lithium-ion batteries to power its vehicles. Long-established car companies like Toyota and Ford are marketing electric vehicles, but they don't have their own battery factories. Its strength in innovative vehicle design is another core competency, because—like the core competency of renewable-energy technology—this capability gives Tesla an advantage over competitors. Every car company has designers, but Tesla's designer has created vehicles that look unique and incorporate advanced functionality, an important advantage in a market crowded with competitors.

##### 3. What performance standards has Tesla set, and what other standards would you recommend that Tesla use for strategic performance evaluation? Explain your answer.

The case indicates that Tesla has set the long-term performance standard for producing 500,000 vehicles per year. The company has also set delivery standards for each model, although it has been forced to delay delivery at times due to the challenges of producing enough vehicles to meet demand. Both of these standards support Tesla's mission of accelerating the move toward all-electric vehicles. Students may offer a number of ideas for other standards to be set by Tesla. For example, students may suggest establishing standards for: vehicle-by-vehicle sales and profit margins; levels of brand awareness; product trials and repeat purchasing.

## *CASE 2.2: CRAYOLA'S COLORFUL MARKETING STRATEGY FOR THE DIGITAL AGE*

### Summary

This case focuses on Crayola's marketing strategy, which has seen drastic changes in the digital age. From the beginning, Crayola has excelled by offering child-friendly, affordable products that inspire creativity. Over the years, and through careful environmental analysis, Crayola has expanded to multiple target audiences and added many new products. More recently, the company has taken their marketing efforts online to reach tech-savvy children. Crayola dominates its market and will continue to do so as long as the company adjusts its marketing strategy and focuses on what consumers want.

### Questions for Discussion

- 1. Which competitive growth strategy was Crayola pursuing when it retired old crayon colors and launched new colors? Which strategy was it pursuing when it introduced coloring books for adults?**

By updating its product line, Crayola was pursuing a product development strategy for growth. This is a strategy to increase sales by improving existing products. In this case, Crayola was replacing older, more traditional colors with new colors, an improvement that also called attention to the range of colors available. Students may say that the introduction of adult coloring books is an example of a diversification strategy, because Crayola may not necessarily sell these in the same markets as crayons. Thus, the adult coloring books may be viewed as new products for new markets. On the other hand, some students may argue that this is a product development strategy. The coloring books complement the crayon products and can be sold in existing markets where crayons are already being marketed.

- 2. How does Netflix use its marketing mix to create a sustainable competitive advantage From the perspective of a SWOT analysis, how is Crayola using its strengths to make the most of potential opportunities and to convert potential threats into opportunities?**

One of Crayola's core competencies is its high brand awareness and market dominance in crayons. This strength helps give the firm the credibility to offer related products such as adult coloring books sold under its well-known brand name—matching strength with opportunity. Although digital competition might be a threat to traditional coloring methods and play experiences, Crayola has converted it to an opportunity by launching coloring apps, as the case indicates.

- 3. Can Crayola transfer its first-mover advantage from the crayon market to creative and artistic products for digital-savvy consumers? Why or why not?**

Students who say that Crayola can build on its first-mover advantage to market new products for digital-savvy consumers may point to the enduring strength of its pioneering brand name over so many decades. Being known as the leader in traditional crayon products gives Crayola a powerful strength it can leverage when marketing to digital-savvy consumers who know the brand and what it stands for. The company has also demonstrated its ability to adapt to new opportunities and trends in creative and artistic expression, as in the case of adult coloring books and the coloring apps. Students who argue against this first-mover advantage being transferred to a digital market may say that crayons are strongly associated with non-digital creativity. Therefore, Crayola may have less credibility among buyers of digital products because of the brand's association with traditional paper-based coloring activities.

## *STRATEGIC CASE 1: AMAZONIZATION OF WHOLE FOODS*

### **Summary**

This case discusses Whole Foods' transformation from a single store in Austin, Texas to a 490 store, international brand. The company has long focused on its six core values: sell the highest quality natural and organic foods, satisfy and delight customers, promote team member growth and happiness, practice win-win partnerships with suppliers, create profits and prosperity, and care about the community and the environment. Whole Foods' quest to offer high-quality, organic foods with a focus on sustainability comes at a higher price. Selling items at a premium price has led to some consumer criticism, renaming the store "whole paycheck" by some consumers. Another core value, promote team member growth and happiness, has had a positive impact on the company culture. Teamwork is an essential part of daily operations at Whole Foods.

Due in part to financial struggles, Whole Foods agreed to be acquired by Amazon.com in 2017. Amazon has already made changes to Whole Foods' strategy—altering pricing, products, and supplier decisions. It is likely that Amazon will continue to alter the strategy related to Whole Foods as changes in the marketing environment occur.

### **Questions for Discussion**

#### **1. How has Amazon changed the Whole Foods marketing strategy?**

Amazon has added Prime Now Whole Foods delivery in select markets and added Amazon Locker to all locations. In addition, Amazon has added national brands in Whole Foods stores which will help maximize revenue and lower operating costs. Unfortunately, this means cutting some suppliers. Finally, Amazon has lowered prices on items like bananas and yogurt.

#### **2. What is the role of teamwork in implementing the Whole Foods marketing strategy?**

Teamwork is essential to Whole Foods' daily operations. Employees are able to make suggestions and provide feedback to managers. This constant communication allows Whole Foods to address problems quickly and efficiently. Self-directed work teams allow employees to make decisions in the day-to-day operations of the store such as scheduling. Empowering employees and offering perks make for happy employees that add value to the company.

#### **3. Will national brands and a centralized approach to product decisions help or harm the future success of Whole Foods?**

Student answers may vary. Some students may feel that adding national brands, as some consumers suggested, will appeal to a larger target market and help increase traffic to stores. Streamlining purchasing operations can help reduce costs and maximize revenue. Other students may feel that adding national brands and eliminating some local suppliers strays too far from Whole Foods' core values.

## MINDTAP UPDATES

- A brand-new activity, a self-assessment, falls at the top of each chapter and is meant to serve as a pre-reading activity to introduce students to the chapter materials without having prior knowledge of the content. These self-assessments help students engage students by helping them make personal connections to the content presented in the chapter. Students are able to see how their responses compare to others (anonymously) in their class, school and across the country.
- The Concept Checks have been removed from the eBook and have been placed in the learning path as a cumulative Concept Check quiz for all of the learning objectives for each chapter.
- Each chapter contains a video quiz where students watch a video about a real company and answer some questions that appear at various stopping points throughout the video. There are 8 new video quizzes and 12 have been picked up from the previous edition.
- The YouTube Marketing Lab series is available on the Instructor Companion Site and contains some new videos and worksheets with questions.
- There are new and revised questions available for the Adaptive Test Prep assignment. These correspond to the same difficulty as the new questions that were added to the Test Bank.
  - Adaptive Test Prep can be found by accessing it through the MindApp dock or from the learning path, “Study Tools” folder in each chapter, they are labelled “Test Your Knowledge.”
- Each chapter has a brand-new PowerPoint that has been updated with the new edition content. The PowerPoints are no longer available in the “Study Tools” folder, but are instead still accessible from the Companion Sites, but also at the end of the main learning path.
- The “You Make the Decision” activities have been updated with all new videos, the content remains the same.
- The Group Projects and Role Play Activities powered by YouSeeU are accessible from the app dock under the YouSeeU app.
- “In the News” has been removed from the “Study Tools” folder and has been placed at the end of the main learning path and redirects to the main page of the KnowNOW! Blog for Principles of Marketing.