M Marketing 5th edition Grewal Solutions Manual

SKU: 9781259446290-SOLUTIONS

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Chapter 2
Developing Marketing Strategies and a Marketing Plan

Tools For Instructors

- Brief Chapter Outline
- Learning Objectives
- Extended Chapter Outline with Teaching Tips
- PowerPoint Slides with Teaching Notes
- Additional Teaching Tips

Brief Chapter Outline

What Is a Marketing Strategy?
The Marketing Plan
Growth Strategies
Connect Learning Aids

Learning Objectives

LO 2-1 Define a marketing strategy.

A marketing strategy identifies (1) a firm's target markets(s), (2) a related marketing mix (four Ps), and (3) the bases on which the firm plans to build a sustainable competitive advantage. Firms use four macro strategies to build their sustainable competitive advantage. Customer excellence focuses on retaining loyal customers and excellent customer service. Operational excellence is achieved through efficient operations, excellent supply chain, and human resource management. Product excellence entails having products with high-perceived value and effective branding and positioning. Finally, locational excellence entails having a good physical location and Internet presence.

LO 2-2 Describe the elements of a marketing plan.

A marketing plan is composed of an analysis of the current marketing situation, its objectives, and the strategy for the four Ps, and appropriate financial statements. A marketing plan represents the output of a three-phase process: planning, implementation, and control. The planning phase requires that managers define the firm's mission and vision and assess the firm's current situation. It helps answer the questions, "What business are we in now, and what do we intend to be in the future?" In the second phase, implementation, the firm specifies, in more operational terms, how it plans to implement its mission and vision. Specifically, to which customer groups does it wish to direct its marketing efforts, and how does it use its marketing mix to provide good value? Finally, in the control phase, the firm must evaluate its performance

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using appropriate metrics to determine what worked, what didn't, and how performance can be improved in the future.

LO 2-3 Analyze a marketing situation using SWOT analyses.

SWOT stands for strengths, weaknesses, opportunities, and threats. A SWOT analysis occurs during the second step in the strategic planning process, the situation analysis. By analyzing what the firm is good at (its strengths), where it could improve (its weaknesses), where in the marketplace it might excel (its opportunities), and what is happening in the marketplace that could harm the firm (its threats), managers can assess their firm's situation accurately and plan its strategy accordingly.

LO 2-4 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.

Once a firm identifies different marketing opportunities, it must determine which the best to pursue are. To accomplish this task, marketers go through a segmentation, targeting, and positioning (STP) process. Firms segment various markets by dividing the total market into those groups of customers with different needs, wants, or characteristics who therefore might appreciate products or services geared especially toward them. After identifying the different segments, the firm goes after, or targets, certain groups on the basis of the firm's perceived ability to satisfy the needs of those groups better than competitors and do so profitably. To complete the STP process, firms position their products or services according to the marketing mix variables so that target customers have a clear, distinctive, and desirable understanding of what the product or service does or represents relative to competing products or services.

LO 2-5 Outline the implementation of the marketing mix as a means to increase customer value.

The marketing mix consists of the four Ps—product, price, promotion, and place—and each P contributes to customer value. To provide value, the firm must offer a mix of products and services at prices their target markets will view as indicating good value. Thus, firms make trade-offs between the first two Ps, product and price, to give customers the best value. The third P, promotion, informs customers and helps them form a positive image about the firm and its products and services. The last P, place, adds value by getting the appropriate products and services to customers when they want them and in the quantities, they need.

LO 2-6 Summarize portfolio analysis and its use to evaluate marketing performance.

Portfolio analysis is a management tool used to evaluate the firm's various products and businesses—its "portfolio"—and allocate resources according to which products are expected to be the most profitable for the firm in the future. A popular portfolio analysis tool developed by the Boston Consulting Group classifies all products into four categories. The first, stars, are in high growth markets, and have high market shares. The second, cash cows, are in low-growth markets, but have high market share. These products generate excess resources that can be spun off to products that need them. The third category, question marks, are in high-growth markets,

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but have relatively low market shares. These products often utilize the excess resources generated by the cash cows. The final category, dogs, are in low-growth markets and have relatively low market shares. These products are often phased out.

LO 2-7 Describe how firms grow their business.

Firms use four basic growth strategies: market penetration, market development, product development, and diversification. A market penetration strategy directs the firm's efforts toward existing customers and uses the present marketing mix. In other words, it attempts to get current customers to buy more. In a market development strategy, the firm uses its current marketing mix to appeal to new market segments, as might occur in international expansion. A product development growth strategy involves offering a new product or service to the firm's current target market. Finally, a diversification strategy takes place when a firm introduces a new product or service to a new customer segment. Sometimes a diversification strategy relates to the firm's current business, such as when a women's clothing manufacturer starts making and selling men's clothes, but a more risky strategy is when a firm diversifies into a completely unrelated business.

Extended Chapter Outline With Teaching Tips

I. What Is a Marketing Strategy?

A. Customer excellence (PPT slide 2-5)

1. Retaining Loyal Customers
2. Providing Outstanding Customer Service

B. Operational excellence (PPT slide 2-6)

C. Product Excellence (PPT slide 2-8)

D. Locational Excellence (PPT slide 2-9)

E. Multiple Sources of Advantage

Check Yourself: Several questions are offered for students to check their understanding of core concepts. (PPT slide 2-11)

1. *What are the various components of a marketing strategy?*

   Answer: A marketing strategy includes a firm's target market(s), a related marketing mix, and the bases upon which the firm plans to build a sustainable competitive advantage.

2. *List the four macro strategies that can help a firm develop a sustainable competitive advantage.*

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Answer: The four microstrategies that can help a firm develop a sustainable competitive advantage include customer excellence, operational excellence, product excellence, and locational excellence.

II. The Marketing Plan (PPT Slide 2-12)

A. Step 1: Define the business mission. (PPT slide 2-14)

B. Step 2. Conduct a situation analysis. (PPT slide 2-16)

C. Step 3: Identify and evaluate opportunities using STP (segmentation, targeting, and positioning). (PPT slide 2-17, 18)

1. Segmentation
2. Targeting
3. Positioning

D. Step 4: Implement the marketing mix and allocate resources. (PPT slide 2-20)

1. Product and Value Creation (PPT slide 2-21)
2. Price and Value Capture (PPT slide 2-22)
3. Place and Value Delivery ((PPT slide 2-23)
4. Promotion and Value Communication (PPT slide 2-24)

E. Step 5: Evaluate performance using marketing metrics. (PPT slide 2-25)

1. Who Is Accountable for Performance?
2. Performance Objectives and Metrics
3. Financial Performance Metrics
4. Portfolio Analysis
   a) Stars
   b) Cash Cows
   c) Questions Marks
   d) Dogs

F. Strategic planning is not sequential.

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Check Yourself: Several questions are offered for students to check their understanding of core concepts. (PPT slide 2-27)

1. *What are the five steps in creating a marketing plan?*

   Answer: The five steps in creating a marketing plan are defining a business mission and objectives, evaluating a situation analysis, identifying opportunities, implementing a marketing mix, and evaluating performance using marketing matrix.

2. *What tool helps a marketer conduct a situation analysis?*

   Answer: A SWOT analysis helps a marketer conduct a situation analysis.

3. *What is STP?*

   Answer: STP is Segmentation, Targeting, and Positioning.

4. *What do the four quadrants of the portfolio analysis represent?*

   Answer: Stars, Cash Cows, Question Marks, Dogs.

III. Growth Strategies (PPT Slide 2-28)

A. Market penetration (PPT slide 2-29)

B. Market development and the case for global expansion (PPT slide 2-30)

C. Product Development (PPT slide 2-31)

D. Diversification (PPT slide 2-33)

Check Yourself: Several questions are offered for students to check their understanding of core concepts. (PPT slide 2-34)

1. *What are the four growth strategies?*

   Answer: They are market penetration strategy, market development strategy, product development strategy, and diversification strategy.

2. *What type of strategy is growing the business from existing customers?*

   Answer: The type of strategy that grows a business from existing customers is market penetration strategy.

3. *Which strategy is the riskiest?*

   Answer: The diversification strategy is the riskiest, because unrelated diversifications do not capitalize on either core strengths associated with markets or with products.

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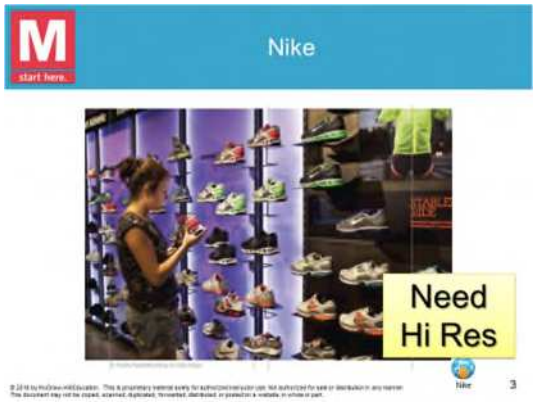
PowerPoint Slides With Teaching Notes

PowerPoint Slide	Teaching Notes
2-1: Developing Marketing Strategies and a Marketing Plan 	
2-2: Developing Marketing Strategies and a Marketing Plan 	These questions are the learning objectives guiding the chapter and will be explored in more detail in the following slides.
2-3: Nike  	Students will most likely be familiar with Nike products. **Ask Students** to comment on any commercials they can recall and the company itself. Students will start to mention many topics in the chapter including target markets, marketing mix, and sustainable competitive advantage.

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2-4: Sustainable Competitive Advantage 	This slide covers the four strategies to create and deliver value and a sustainable competitive advantage. **Ask students** to think of companies who they are very loyal to in many categories (food, electronics, and personal care). Is it their product, location, operational, or customer excellence that draws the student's loyalty?
2-5: Customer Excellence 	Luthansa airlines retains customers by offering the best possible service at the best possible price. **Ask students** what this might include for an airline. For economy they offer meals, free drinks, and fun toiletries and for the first class customer massages, manicures, and stand-up bars in flight.
2-6: Operational Excellence 	The text highlights how firms can use the various elements of the marketing mix to achieve a competitive advantage. In recent years, firms such as Walmart have achieved competitive advantage by utilizing operational excellence. That is, by controlling price and how products are delivered to their stores, they have been able to offer customers low prices on a wide array of goods. This is made possible through the use of efficient operations and excellent relationships with suppliers.

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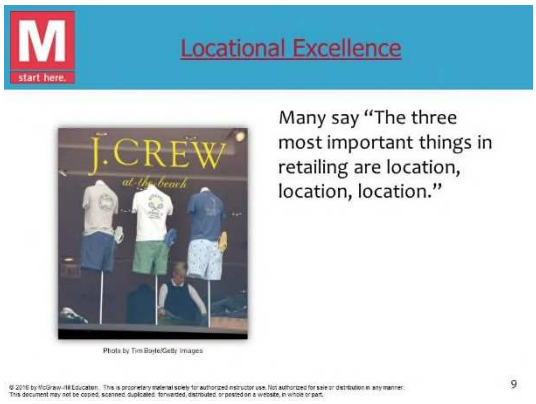
2-7: New Balance – Can America Compete? 	Marketing the "Made in America" concept. This clip features the New Balance brand. The clip focuses on the value found in U.S.-made brands and evaluating the cost vs. time factor. Note: Please make sure that the video file is located in the same folder as the PowerPoint slides.
2-8: Product Excellence 	**Ask students:** How is this an example of product excellence? Students might say it is product excellence because of the high quality of the product. Point out the fact that expensive should NOT be confused with the fact that the product has a clear and distinctive brand image and that it is clearly positioned.
2-9: Locational Excellence  	A competitive advantage based on location is sustainable because it is not easily duplicated.

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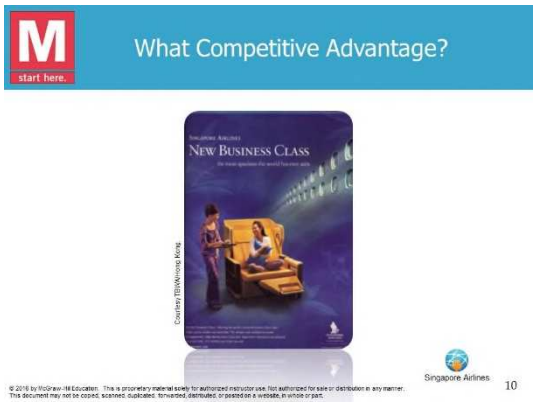
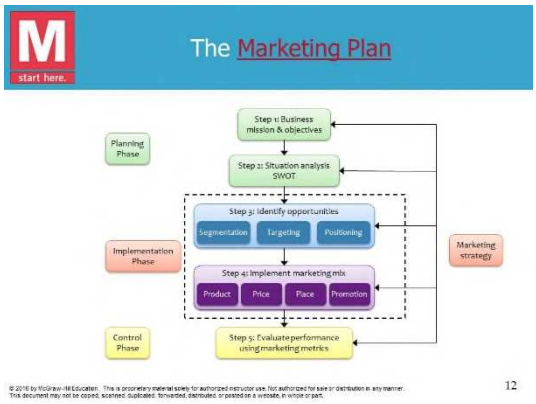
2-10: What Competitive Advantage?  	**Ask students:** Which of the four value choices is Singapore Airlines using? Singapore Airlines is using customer excellence to create and deliver value and to develop sustainable competitive advantages.
2-11: Check Yourself 	1. Identifies a firm's target market, related marketing mix—their four Ps—and the bases upon which the firm plans to build a sustainable competitive advantage. 2. Customer excellence, operational excellence, product excellence, locational excellence.
2-12: The Marketing Plan  	Explain to students that the marketing plan should be a written plan, yet many companies do not write it down**.** **Ask students** why companies tend to not write down marketing plans. The most likely answer is that they don't take the time or haven't organized the strategy.

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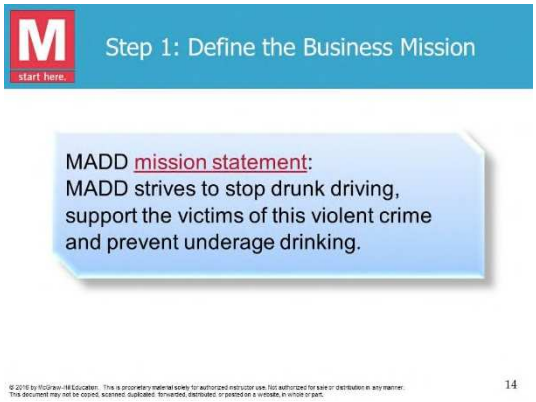
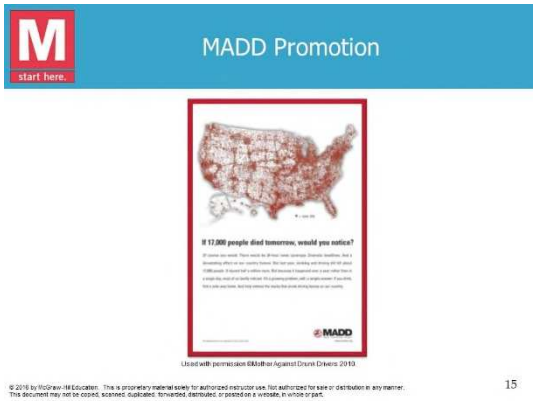
2-13: Three Phases of a Strategic Plan 	A poorly executed plan leads to failure, regardless of how good or solid the plan may be. The world is full of good plans poorly executed. When initially introduced, diapers designed differently for boys and girls bombed because the market was not ready for the product; through improved execution, the diaper manufacturer ultimately found success**.** However, even well executed plans require monitoring and updating, because the needs of any market constantly change.
2-14: Step One: Defining the Business Mission  	**Group activity:** Students should develop a mission statement for their school. The resultant mission statement would offer a good way to assess and set student expectations.
2-15: MADD Promotion  	Notice how MADD works to translate its Mission Statement into action through its promotion efforts

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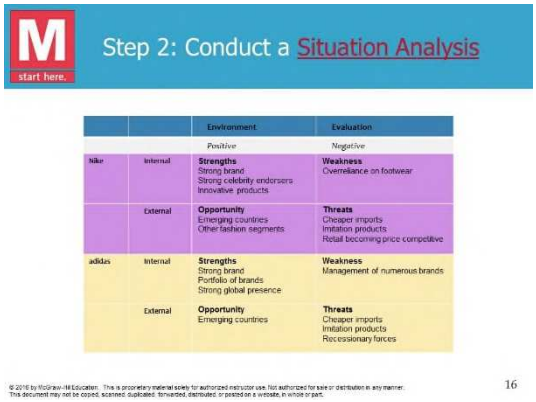
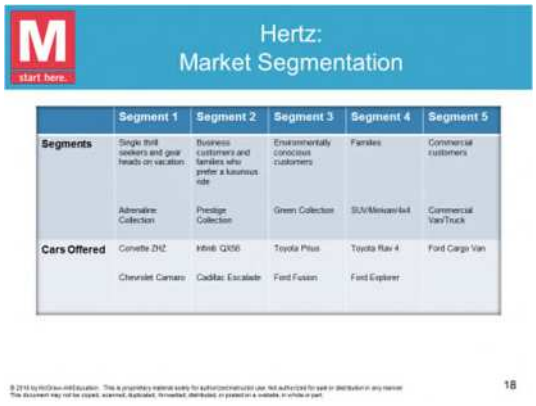
2-16: Step Two: Conduct a Situation Analysis  	A SWOT analysis is comprehensive, in that it offers both an internal and an external assessment. The firm therefore must possess expertise in both what the firm can provide and what the market wants the firm to provide. Students can take a few minutes and fill in a SWOT analysis for their in-class exercise of building a marketing plan for their college.
2-17: Step Three: Identifying and Evaluating Opportunities Using STP 	After completing the situation analysis, the next step is to identify and evaluate opportunities for increasing sales and profits using STP (segmentation, targeting, and positioning). With STP, the firm first divides the marketplace into subgroups or segments, determines which of those segments it should pursue or target, and finally decides how it should position its products and services to best meet the needs of those chosen targets.
2-18: Hertz: Market Segmentation  	Hertz offers different vehicles to meet the transportation needs of diverse segments. Each class of automobile offers something to please every segment.

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2-19: What Segments? 	**Ask students:** What segments is Nike going after?
2-20: Step Four: Implement Marketing Mix and Allocate Resources 	In all firms, resources are scarce and must be allocated so that they create the most value for the firm. **Ask Students** to point out the elements of the marketing mix in this ad. They will certainly see the value creation in the product and the promotion, which targets busy women.
2-21: Product and Value Creation 	Because the key to the success of any marketing program is the creation of value, firms attempt to develop products and services that customers perceive as valuable enough to buy.

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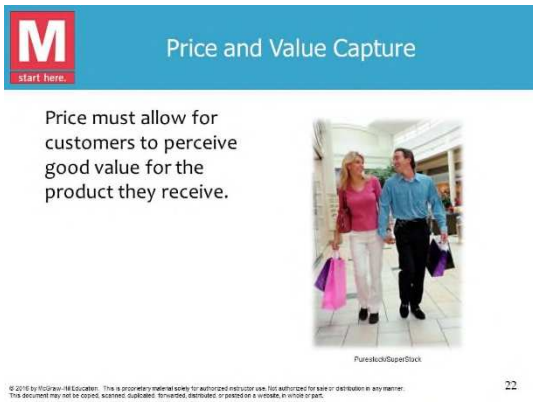
2-22: Price and Value Capture  	These will be covered in the pricing chapters later in the book. It is worth spending some time on value-based pricing. Show students two differently priced products from the same category and **ask students** which one they view as better value and why. For example, a Rolex vs. a Timex watch. Or alternatively Aquafina vs. Perrier. Also explain that in this course, more discussion of value will be done throughout the semester.
2-23: Place and Value Delivery 	Getting the product to consumers at the exact moment they desire it is difficult. Firms therefore are experimenting with different forms of distribution, such as vending machines for cell phones, to offer consumers 24/7 access to products. Staples has incorporated web kiosks in their stores to access Staples.com. Thus, consumers are able to buy products that are out of stock in-store. **Ask students** if they are familiar with Sephora, if they like it, and why. Most likely they will be very fond of this retailer. They offer an incredible assortment in a well-organized, well-lighted, exciting retail environment.
2-24: Promotion and Value Communication 	Consumers enter into an exchange only if they know that the firm's product or service appears in the marketplace. This is why promotion is so important. They won't buy if they don't know about it.

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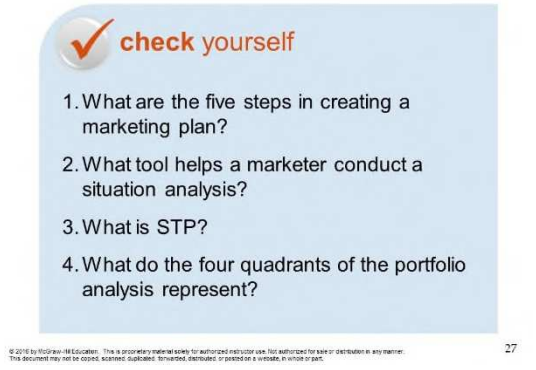
2-25: Step Five: Evaluate Performance and Make Adjustments 	Firms cannot simply remain content with a strategy for too long. Over time, all strategies must be revised to adjust to new markets, new competitors, and new technologies. The firm must recognize not only its failures, but also its successes to ensure continued success. Visit the P&G website and **ask students** to recognize stars, cash cows, and question marks (newer products). You won't find any dogs at the P&G website.
2-26: Which Quadrant? 	**Ask students** to identify which quadrant of the Boston Consulting Group portfolio analysis these products belong to, The Apple iMac Desktop would be considered a cash cow, while the iPad would be considered a Star.
2-27: Check Yourself  	1. Business mission and objectives, situation analysis and SWOT, identify opportunities, implement marketing mix, evaluate performance using marketing metrics. 2. SWOT analysis (strengths, weaknesses, opportunities, threats) 3. Segmentation, Targeting, Positioning 4. Stars, Cash Cows, Question Marks, Dogs

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2-28: Growth Strategies 	The growth strategies model is crucial for students to understand. Fundamentally, all strategies involve one or a combination of the four factors pictured in this slide. Each can be used to achieve different objectives.
2-29: Market Penetration 	Sales encourage current users to consume more of the current product mix, but they also bring new customers to the business. Many strategies can be used to get current consumers to consume more of your product. **Group activity:** Ask students to brainstorm ways in which firms can get current consumers to consume more. Example solutions might include coupons, loyalty cards, or serving size changes.
2-30: Market Development 	This might include targeting growing ethnic groups in the U.S. or global expansion, which is a popular way for many firms to improve their profitability. **Ask international students,** if you have them in your class, what types of products and brands are entering their markets?

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2-31: Product Development 	A product development strategy requires that the firm understands its current consumers' needs/wants well enough to identify other products/services that would be attractive to them. **Ask students** for examples of products that are targeted to them by companies who already have their business. They will no doubt mention many food products including drinks, candy, and fast food.
2-32: Game On – Clash of the Video Games 	This clip focuses on marketing the "next best thing" in the gaming industry. Focuses on battling for the gaming market share and influencing spending of discretionary income. Note: Please make sure that the video file is located in the same folder as the PowerPoint slides.

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2-33: Diversification 	A **diversification strategy** introduces a new product or service to a market segment that currently is not served. Diversification opportunities may be either related or unrelated. In a related diversification opportunity, the current target market and/or marketing mix shares something in common with the new opportunity. In other words, the firm might be able to purchase from existing vendors, use the same distribution and/or management information system, or advertise in the same newspapers to target markets that are similar to their current consumers. In contrast, in an unrelated diversification, the new business lacks any common elements with the present business.
2-34: Check Yourself 	1. Market penetration, market development, product development, diversification 2. Product development and market penetration 3. Diversification

Additional Teaching Tips

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

The utility of the marketing plan must be conveyed throughout the course. Teach students that **the marketing plan is a subset of the business plan** that forms the foundational strategy of business. Students come to realize the importance of the marketing plan when the instructor

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frequently makes connection to its purpose not only on the day the concept is taught but also throughout the course.

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

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

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CHAPTER 2: DEVELOPING MARKETING STRATEGIES AND A MARKETING PLAN

CHAPTER OVERVIEW

Page	Activity	Type	Learning Objectives 02-						
			01	02	03	04	05	06	07
2-2	The Walt Disney Company and the Strategic Marketing Planning Process	Timeline		X	X	X	X		
2-5	Staples: Implementing the Marketing Mix	Video Case					X		
2-10	Home Shopping Network	Video Case	X			X	X		
2-15	SWOT Analysis - Domino's Pizza	Click and Drag		X					
2-17	The Netflix Rollercoaster: How a Strategy Can Fail	Case Analysis	X	X			X	X	X
2-24	Spirit Airlines: Home of the Bare Fare	Video Case	X	X	X	X	X		X
2-29	iSeeIt Video Case: Marketing Strategy and the Marketing Plan	Video Case		X	X	X	X		

Learning Objectives:

- 02-01: Define a marketing strategy.
- 02-02: Describe the elements of a marketing plan.
- 02-03: Analyze a marketing situation using SWOT analyses.
- 02-04: Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
- 02-05: Outline the implementation of the marketing mix as a means to increase customer value.
- 02-06: Summarize portfolio analysis and its use to evaluate marketing performance.
- 02-07: Describe how firms grow their business.

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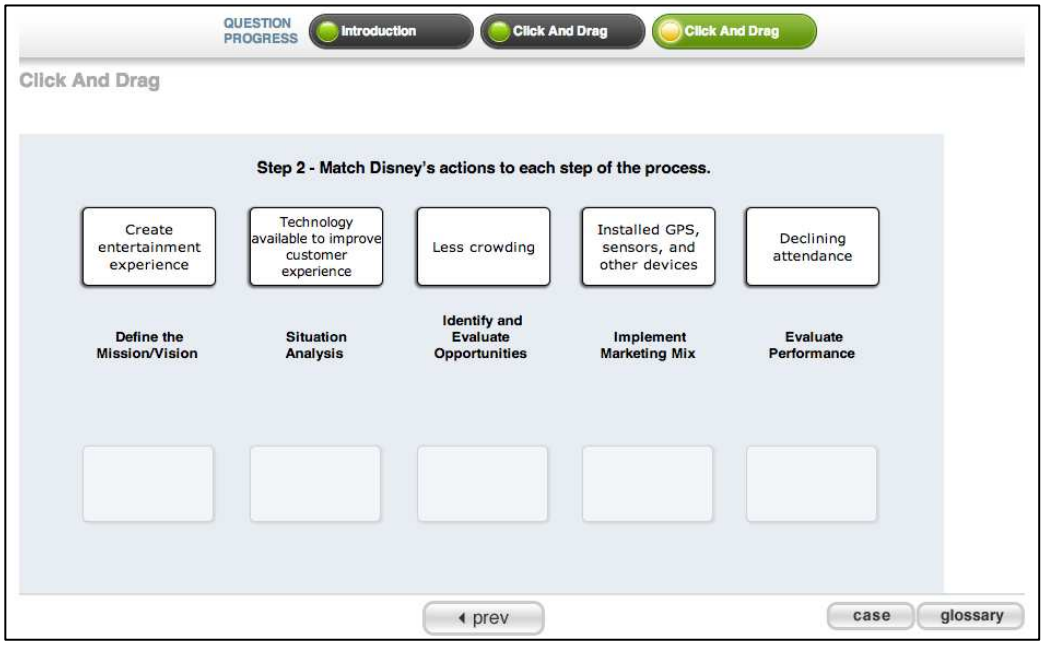
THE WALT DISNEY COMPANY AND THE STRATEGIC MARKETING PLANNING PROCESS

- **Activity Type:** Timeline
- **Learning Objectives:** 02-02, 02-03, 02-04, 02-05
- **Difficulty:** Medium
- **Activity Summary:** First, students are asked to put the steps of the strategic marketing planning process in the correct sequence. Then they view a short case describing the Walt Disney Company's use of technology to improve the customer experience in their parks, and are asked to match excerpts from the case description to the appropriate step in the strategic marketing planning process.

Activity

- **Introduction:** Firms like Disney plan their marketing strategies to adjust to changes in the environment, the competition, and their customers. Effective marketing doesn't just happen. Click on the "case" button at the bottom of the screen to review the notes on Disney. Then assemble the strategic marketing planning process model as instructed. (NOTE: The "case" button does not actually appear until after the student has completed the first click and drag activity.)
- **Concept Review:** The strategic marketing planning process represents a set of steps a marketer goes through to develop and implement a strategic marketing plan. The three major phases of the process are planning, implementation, and control.



In Step 1 of the activity, students are asked to place the steps of the strategic marketing planning process in the correct order. Then, in Step 2, the student reads a short case related to Disney's strategic planning, and matches the five activities listed to the steps of the process.

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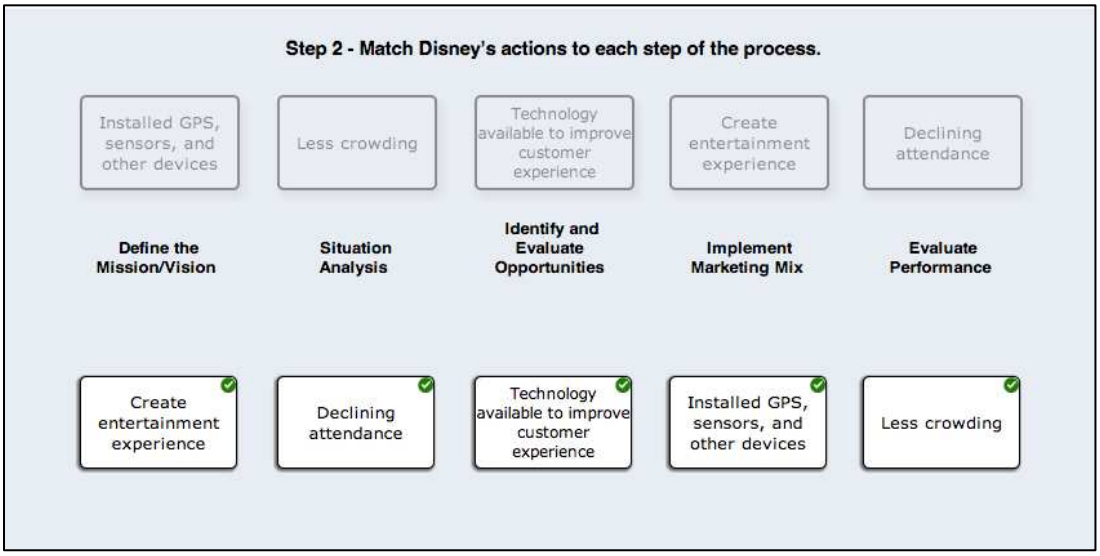
The following text is presented when the student clicks the “case” button at the bottom of the screen:

> Disney’s objective is to create entertainment experiences based on storytelling. One of Disney’s key strengths is its well-known brand. Disney targets its Pleasure Island to singles and couples, Epcot to adults and to families with older children, and the Magic Kingdom to families with younger children.
>
> When Disney executives noticed attendance at the theme parks declining, they concluded that crowding and long lines were hurting customers’ enjoyment of the parks and causing potential visitors to vacation elsewhere. In response, they reinvented the customer experience and eased crowding throughout the parks by combining global positioning satellites (GPS), smart sensors, wireless technology, and mobile devices. They also instituted a FastPass service, allowing guests to obtain a timed ticket for a ride, thus skipping long lines for popular attractions. FastPass+, introduced later, allows advance reservations for a limited number of rides per day through the *My Disney Experience* website and mobile app, where guests can plan and manage their visit to the parks. Finally, the guest can wear a MagicBand—a wristband with a radio frequency chip identifying the individual. By simply waving the band, the guest can use a FastPass+ reservation, pay for purchases, and even open the door to their Disney resort room!

Answers



Follow-Up Activity

Assign and discuss the following article: “At Disney Parks, a Bracelet Meant to Build Loyalty (and Sales),” by Brooke Barnes, *New York Times*, published 1/7/2013:

http://www.nytimes.com/2013/01/07/business/media/at-disney-parks-a-bracelet-meant-to-build-loyalty-and-sales.html?_r=0

This article describes the “MyMagic+” bracelet that is one key element of Disney’s technology upgrade program. In addition to improving the customer experience, discuss how it also benefits Disney by providing customer information that can be used both to understand customer behavior in

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the parks (a form of marketing research) and also to improve service to individual customers (as part of a customer relationship management program).

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STAPLES: IMPLEMENTING THE MARKETING MIX

- **Activity Type:** Video Case
- **Learning Objectives:** 02-05
- **Difficulty:** Medium
- **Activity Summary:** This video case discusses the "Easy" retail strategy adopted by Staples, with examples of each of the four Ps in action. After the video ends, students are asked questions about the video and related course concepts.

Activity

- **Introduction:** The 4 Ps—product, price, promotion, and place—are functions retailers use to create value for their customers. Staples, Inc. successfully integrates the 4 Ps with its "easy" brand promise. Its ability to execute the 4 Ps seamlessly within the parameters of this brand promise helps to make Staples successful.
- **Concept Review:** The marketing mix consists of the four Ps—product, price, promotion, and place—and each P contributes to customer value. To provide value, the firm must offer a mix of goods and services at fair prices in the eyes of its target market. Firms make trade-offs between product and price, help customers to form a positive image about the firm and its products, and get the appropriate goods and services to customers when they want them and in the quantities they need.
- **Video:** The video is presented to the student below the introductory information. The video plays embedded on the page, after which questions are presented.

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2a. Staples offers quality customer service and...

Staples offers quality customer service and its own brand of products to establish a _____.

- fun environment
- target market
- marketing plan
- → competitive advantage
- large inventory

As explained in the video, the "easy" brand promise is Staples' approach to achieving a competitive advantage, and its service and products are parts of that promise.

References

Multiple Choice	Difficulty: 2 Medium
2a. Staples offers quality customer service and...	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

2b. Ethnographic research takes place _____.

Ethnographic research takes place _____.

- through surveys
- → by human observation
- online only
- by measuring sales of items
- in focus groups

The video discusses research that Staples does in consumers' homes, observing how they use products and looking for opportunities to meet their needs. This is an example of ethnographic research.

References

Multiple Choice	Difficulty: 2 Medium
2b. Ethnographic research takes place _____.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

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2c. The Staples Mailmate is an example of how S...

The Staples Mailmate is an example of how Staples offers value by providing consumers with _____.

- the lowest possible prices
- → innovative products
- products that copy the national brands
- large assortments
- discount products

The video discusses the innovative aspects of the Mailmate shredder.

References

Multiple Choice	Difficulty: 2 Medium
2c. The Staples Mailmate is an example of how S...	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

2d. A bundle pricing strategy means that the co...

A bundle pricing strategy means that the cost is lower when you buy _____.

- more often
- → more items at once
- more styles of a product
- on a regular schedule
- an assortment of products

A bundle strategy means that you buy several items at once. Discounted prices are offered to encourage larger purchases.

References

Multiple Choice	Difficulty: 2 Medium
2d. A bundle pricing strategy means that the co...	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

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2e. Which is NOT one of Staples's promotional eff...

Which is NOT one of Staples's promotional efforts?

- Quality service
- Circulars
- In-store displays
- TV commercials
- → The lowest prices of any competitor

The video mentions how in-store displays, circulars, quality service and TV commercials are all promotional efforts used by Staples. Having the lowest prices is not a promotional effort, but a pricing strategy.

References

Multiple Choice	Difficulty: 2 Medium
2e. Which is NOT one of Staples's promotional eff...	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

2f. When Staples plans its store layout and des...

When Staples plans its store layout and designs its website, it wants to offer its customers _____.

- big cost savings
- luxury products
- → an easy experience
- ink and paper
- a huge product selection

The "easy" experience is the hallmark of Staples's strategy.

References

Multiple Choice	Difficulty: 2 Medium
2f. When Staples plans its store layout and des...	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

Follow-Up Activities

- Discuss how the Staples "Easy" brand promise helps the company to compete with online-only sellers of office supplies like Amazon.com. Examples: the Staples branded products help Staples to stock lower-priced products; making products like paper and toner easily available at the front of conveniently located stores with plenty of parking offers convenience.

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- Choose a successful restaurant chain (Chipotle or Chick-fil-A would be good selections in the U.S. as they tend to be popular with students) and ask for examples of each of the four Ps in the chain's strategy.

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HOME SHOPPING NETWORK

- **Activity Type**: Video Case
- **Learning Objectives**: 02-01, 02-04, 02-05
- **Difficulty**: Medium
- **Activity Summary**: This video case focuses on changes HSN made to its strategy starting in 2006 to better understand and serve its target market. After the video ends, students are asked questions about the video and related course concepts.

Activity

- **Introduction:** HSN (Home Shopping Network) is a $2.8 billion multichannel retailer, using television, e-commerce, m-commerce, catalogs, and brick and mortar stores. They have recently launched apps for all major smartphones. HSN currently reaches 90 million homes, 24 hours a day, 7 days a week, 365 days a year. Managing their marketing efforts and staying on top of the competition requires careful and ongoing strategic planning and implementation.
- **Concept Review:** A marketing strategy is the actions a firm intends to implement to appeal to potential customers. A successful strategy identifies (1) a firm's target markets; (2) a related marketing mix—its 4 Ps; and (3) the basis on which the firm plans to build a sustainable competitive advantage. HSN (Home Shopping Network) is one example of a firm that has very successfully implemented its strategy using multichannel marketing efforts. Understanding how HSN has implemented a successful marketing strategy helps us identify the different components of that strategy. HSN continually monitors opportunities and threats and reevaluates their strategies in response to these.
- **Video:** The video is presented to the student below the introductory information. The video plays embedded on the page, after which questions are presented.

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3a. Moving from television broadcast into e-com...

Moving from television broadcast into e-commerce has allowed HSN to achieve _____ excellence.

- customer
- product
- operational
- service
- → locational

Having an Internet presence is an important part of locational excellence.

References

Multiple Choice	Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
3a. Moving from television broadcast into e-com...	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

3b. HSN focuses its marketing efforts on busy w...

HSN focuses its marketing efforts on busy women older than 35 years old who own their homes. This customer group is HSN's _____.

- market segment
- key segment
- → target market
- strategic base
- market position

The segment a firm pursues with its marketing efforts is its target market.

References

Multiple Choice	Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
3b. HSN focuses its marketing efforts on busy w...	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

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3c. One way HSN promoted its products was to us...

One way HSN promoted its products was to use _____.

- infomercials
- coupons
- → lifestyle programming
- discounts
- humorous ads

Promotion is how marketers use communication to establish the value of their brand. By using lifestyle programming, HSN is able to incorporate stories and storytellers into its communications.

References

Multiple Choice	Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
3c. One way HSN promoted its products was to us...	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

3d. When HSN added event programming to its mix...

When HSN added event programming to its mix, which two elements of the marketing mix did it affect?

- Place and product
- Place and promotion
- Price and promotion
- Product and price
- → Product and promotion

HSN communicated fashion trend information (promotion), which was then tied to its new and existing products.

References

Multiple Choice	Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
3d. When HSN added event programming to its mix...	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

3e. HSN created product value by having _____.

HSN created product value by having _____.

- discount prices
- catalog sales
- award-winning ads
- good retail locations
- → exclusive designer agreements

Customers receive product value through exclusive product offerings by well-known designers being offered only on HSN.

References

Multiple Choice	Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
3e. HSN created product value by having _____.	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

3f. By offering new products developed by well-...

By offering new products developed by well-known designers to its existing customers, HSN used which growth strategy?

- Market penetration
- → Product development
- Market development
- Portfolio analysis
- Diversification

Offering a new product or service to a firm's current target market is a product development strategy.

References

Multiple Choice	Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
3f. By offering new products developed by well-...	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

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Follow-Up Activities

- Students can research some of HSN's recent initiatives to see how the company is currently using lifestyle programming to attract attention to its products. As of this writing, there are two initiatives that are very much consistent with HSN's lifestyle strategy:
  - A multi-film agreement with Disney to hold shopping events promoting films of interest to HSN's target market: http://www.hollywoodreporter.com/news/disney-strikes-multi-film-partnership-694720
  - HSN's "Live in Concert" series, featuring various artists in conjunction with sales of their music.
- Suppose that HSN decided to launch a second channel with men who are sports fans as the target market. How would its strategy be different from the current HSN channel's strategy?

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SWOT ANALYSIS – DOMINO'S PIZZA

- **Activity Type:** Click and Drag
- **Learning Objectives:** 02-02
- **Difficulty:** Medium
- **Activity Summary:** This activity presents information about Domino's franchise stores possibly staying open 24 hours. Eight factors are presented related to this proposed change, and students are asked to classify them using the SWOT analysis framework.

Activity

- **Introduction:** Recently, a Domino's pizza franchise in southwest Ohio made the strategic decision to stay open 24 hours a day. The manager, Steve Martin, made this decision about a month ago in response to increased demand for Domino's pizza. Other Domino's franchise owners are now considering adopting a similar strategy. In this activity, you will categorize a set of statements regarding activities in the internal and external environments as they relate to Domino's pizza, and a potential initiative of staying open 24 hours a day. These statements will identify either a Strength, Weakness, Opportunity, or Threat.
- **Concept Review:** Developing a marketing plan consists of five steps. The second step in the process, after developing a mission statement, is to conduct a situation analysis, using the SWOT framework. This tool allows firms to assess both the internal environment (strengths and weaknesses) and the external environment (opportunities and threats).

Students can "mouse over" each of the eight factors to see an explanatory sentence. Then they classify the factors into one of the four SWOT activities.

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Answers

Strong Brand Name

Excellent Location

Staffing

Inventory Management

Demand

Late Night Eating

Health

Competitors

Strength	Weakness	Opportunity	Threat
Strong Brand Name Excellent Location	Staffing Inventory Management	Demand Late Night Eating	Health Competitors

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THE NETFLIX ROLLERCOASTER: HOW A STRATEGY CAN FAIL

- **Activity Type:** Case Analysis
- **Learning Objectives:** 02-01, 02-02, 02-05, 02-06, 02-07
- **Difficulty:** Medium
- **Activity Summary:** This case deals with Netflix's 2011 decision to split its service into DVD rental and streaming subscriptions, resulting in a significant price increase for current customers. Students answer questions relating the case to chapter concepts.

Activity

- **Introduction:** The letter arrived in millions of e-mail boxes simultaneously in November of 2010. Reed Hastings, the CEO of Netflix, announced in excited tones the latest innovation by the company that had revolutionized the movie rental industry. But the response was not quite what he, or Netflix shareholders, had expected. Since that time, Netflix has recovered and gone on to renewed success and new challenges; however, the series of events, before and after, offers a clear lesson in how a failure to sufficiently plan for marketing strategy changes can backfire on even the most successful of companies.
- **Concept Review:** A marketing strategy identifies (1) a firm's target market(s), (2) a related marketing mix—its four Ps, and (3) the bases on which a firm plans to build a sustainable competitive advantage. Firms develop marketing plans to formalize their marketing strategies. One important element in formulating a marketing plan is to do a situation analysis, also known as a SWOT analysis. Following the analysis, firms need to segment their market, target which segments they will serve, and develop a position that communicates a clear understanding of the market offering. They should then implement the marketing mix; the four Ps. Finally, they should use various marketing metrics to evaluate the results of their strategies. There are also four growth strategies firms can implement to increase their market share.

Case

THE ORIGINAL OFFER: 1998–2008. Netflix revolutionized the market of video rentals. Using an efficient system of U.S. postal service delivery, easy returns, no late fees, and a flat subscription rate, its customer base grew from 1 million in 2002 to over 14 million by 2010. Netflix never used brick and mortar stores; its business was from the onset completely online via the Internet. Customers would build and maintain a video queue, and when a movie was returned, the next video in their queue was automatically shipped. Along with the customer growth, profits soared. Everyone was happy: customers, management, and stockholders. In fact, Netflix was held in high regard as a stellar example of innovation and efficiency.

AND THE HITS KEEP COMING: 2008–2010. Netflix was indeed innovative, but by 2010 an analysis of its external environment indicated some serious threats loomed. For one, competition was increasing. Blockbuster had added mail delivery service to its brick and mortar store operations, and Redbox introduced a kiosk-style rental system that was proving to be very popular. Second, the U.S. Postal Service was seeing large budget overruns and deficits. The postal service was threatening to close hundreds of local branches, and perhaps even stop Saturday delivery of mail. Third, Netflix saw that some cable companies and satellite companies were doing much more with pay-per-view options, such as offering new movies immediately after their video release. In response to these, Netflix changed its strategy and offered customers unlimited streaming of movies and TV shows for

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the same monthly fee they were paying for rentals. This was a hit, and Netflix expanded streaming through computers to streaming through platforms like Nintendo Wii, Xbox 360, PlayStation3, and TiVo. It even introduced an iPhone app.

OOOPS, MY BAD: 2010–2011. By 2010, Netflix realized it was leaving money on the table by charging one fee for rentals and streaming. The company reasoned that since it was now delivering more value, customers would be willing to pay a higher price. In November 2010, Netflix launched a streaming only plan for $7.99 per month. At the same time, it increased the price of each of its DVD rental plans by $1. Netflix anticipated that most customers would drop the mail service and move to streaming. That prediction was not quite accurate. Users still wanted the mail service. In addition, the selection of titles for the mail service was significantly greater than what was available through streaming, so customers still found value in it. In July 2011, Netflix announced another new pricing plan. For unlimited streaming, and no discs, customers would pay $7.99 per month. For one disc-at-a-time (the most basic mail plan), and no streaming, customers would pay $7.99 per month. If they wanted both, they would pay $15.98. The new pricing would come into effect on September 1, 2011.

Customers were furious. For many this was a 60% price hike. Approximately 1 million subscribers dropped the service, and there was a lot of negative press. But investors considered the price move a smart one, and Netflix's stock price rose. On September 18, 2011, CEO Reed Hastings posted an announcement on Netflix's blog. He apologized for not communicating enough about the price change, and explained his solution to the mess it had caused. He wrote that Netflix now recognized that DVD by mail and streaming were two different businesses, and Netflix would split into two distinct and separate operations. The streaming service would remain Netflix and the DVD rental by mail would be called Qwickster. Qwickster and Netflix would have separate, non-integrated websites. That meant existing users who wanted both services would have to 100% re-register and set their preferences on the new site. If customers needed to change any preferences or personal information, they would need to do it twice (once on each site). Similarly, any reviews on Qwickster would not show up on Netflix and vice versa. Members subscribing to both services would have two entries on their credit card statements, one for Qwickster and one for Netflix.

The net effect of this strategy was that now customers were not only paying more, but they would also need to visit two websites to manage their movies. They would have to reset their preferences on the new site. And they would have to deal with the name "Qwickster," which was universally hated. The backlash to all this was so severe that on October 10, 2011, Hastings posted a very simple message that the split was being reversed. Both services would remain with Netflix, though the price increase would remain in place. But the damage had already been done. More customers had left and the stock price plummeted. Observers waited anxiously to see the 4th quarter reports. The Netflix blogs went back to promoting new content. Reed Hastings stayed quiet—at least for the moment.

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5a. One of Netflix's original competitive advan...

One of Netflix's original competitive advantages was its efficiency. The company delivered movies quickly and charged a relatively low cost for the service. Strategically, this is known as _____ excellence.

- locational
- customer
- product
- delivery
- → operational

Firms achieve operational excellence through their efficient operations. They get their customers the merchandise they want, when they want it, in the required quantities, and at a lower delivered cost than that of their competitors.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-06 Summarize portfolio analysis and its use to evaluate marketing performance.
5a. One of Netflix's original competitive advan...	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.	

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5b. A situation analysis identified increasing ...

A situation analysis identified increasing competition, potential downsizing of the U.S. Postal Service and Cable pay-per-view expansion, which were _____ for Netflix. In response, Netflix was initially able to capitalize on the _____ of streaming, gaming platforms, and an iPhone app.

- weaknesses; strengths
- opportunities; threats
- weaknesses; opportunities
- threats; strengths
- → threats; opportunities

For Netflix, the increasing competition, potential changes in the U.S. Postal Service and changes in Cable pay-per-view are all negative aspects of the external environment, so they are threats. However, there were also opportunities for Netflix—positive aspects of the external environment such as streaming, gaming platforms, and iPhone apps.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-06 Summarize portfolio analysis and its use to evaluate marketing performance.
5b. A situation analysis identified increasing ...	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.	

5c. When Netflix launched its streaming only pl...

When Netflix launched its streaming only plan, the company anticipated that most current users would drop the rental plan and move to it. In strategic terms, this is a growth strategy of _____.

- portfolio analysis
- market penetration
- market development
- → product development
- diversification

By offering a new product or service (a streaming only plan) to their current target market, Netflix was pursuing a product development growth strategy.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-06 Summarize portfolio analysis and its use to evaluate marketing performance.
5c. When Netflix launched its streaming only pl...	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.	

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5d. Assuming Netflix was following a marketing ...

Assuming Netflix was following a marketing plan, at which stage should it have given more consideration to the impact of the July 2011 price increase?

- Situation analysis
- Evaluating performance
- → Implement the marketing mix
- Identifying opportunities
- Define the business mission

In implementing the marketing mix, firms must make decisions about the product, price, place, and promotion. Pricing decisions should be value driven—the price charged must be perceived as giving customers a good value for the product received. If a price it set too high, it will not generate much sales volume, and in the case of Netflix, actually resulted in over 1 million lost customers—its customers did not perceive enough additional value to justify the price increases.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-06 Summarize portfolio analysis and its use to evaluate marketing performance.
5d. Assuming Netflix was following a marketing ...	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.	

5e. When Netflix first offered streaming, it ex...

When Netflix first offered streaming, it expected that many rental customers would move to the new service. However, there were far less movie titles available through streaming as compared to DVD mail rentals. In a SWOT analysis, the lack of movies available for streaming would be classified as a(n) _____.

- portfolio
- strength
- → weakness
- opportunity
- threat

Weaknesses are negative, internal attributes of a firm. The lack of titles available through streaming caused users to see less value in that service, and hence it would be a weakness for Netflix.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-06 Summarize portfolio analysis and its use to evaluate marketing performance.
5e. When Netflix first offered streaming, it ex...	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.	

5f. By completely separating Qwickster and Netf...

By completely separating Qwickster and Netflix into independent companies, Reed Hastings essentially created two _____.

- sustainable competitive advantages
- market segments
- cash cows
- target markets
- → strategic business units

A strategic business unit (SBU) is a division of the firm itself that can be managed and operated somewhat independently from other divisions. This was Netflix's strategy in separating Qwickster from Netflix.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-06 Summarize portfolio analysis and its use to evaluate marketing performance.
5f. By completely separating Qwickster and Netf...	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.	

5g. One way Netflix could grow its business wou...

One way Netflix could grow its business would be to offer its existing services to foreign markets it does not currently serve. This would represent which growth strategy?

- → Product development
- Segmentation
- Market development
- Market penetration
- Diversification

A market development strategy employs the existing market offering to reach new market segments, whether domestic or international.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-06 Summarize portfolio analysis and its use to evaluate marketing performance.
5g. One way Netflix could grow its business wou...	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.	

Follow-Up Activity

Netflix has recovered from its misstep; it's worth reviewing what has happened since the end of the case write-up, and then discussing the challenges Netflix faces in the future. Students could be asked to research this topic themselves, or you can use these articles:
"How Netflix Reinvented Itself," by Peter Cohan, *Forbes*, 4/23/13.
http://www.forbes.com/sites/petercohan/2013/04/23/how-netflix-reinvented-itself/
"Netflix Ends Huge Year with Price Shift and Executive Raises," by Nick Summers, *Business Week*, 12/31/2013. http://www.businessweek.com/articles/2013-12-31/netflix-ends-huge-year-with-price-shift-and-executive-raises

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SPIRIT AIRLINES: HOME OF THE BARE FARE

- **Activity Type:** Video Case
- **Learning Objectives:** 02-01, 02-02, 02-03, 2-04, 2-05, 2-07
- **Difficulty:** Medium
- **Activity Summary:** This video case explains the marketing strategy pursued by Spirit Airlines. After the video ends, students are asked questions about the video and related course concepts.

Activity

- **Introduction:** Spirit Airlines competes as an ultra-low-cost carrier (ULCC), and does so by "unbundling" extra services from its basic fare. As a result, things that other airlines include in their prices (for example, carry-on bags) cost extra on a Spirit flight. This approach allows Spirit Airlines to keep prices low, attracting a different type of customer who values price above comfort and amenities.
- **Video:** The video is presented to the student below the introductory information. The video plays embedded on the page, after which questions are presented.

Questions and Answers

6a. Which of the four Ps does Spirit Airlines re...

Which of the four Ps does Spirit Airlines rely on most to create value for its customers?

- Place
- → Price
- Promotion
- People
- Product

Spirit's main value proposition is its low price compared to its competitors.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.
6a. Which of the four Ps does Spirit Airlines re...	Learning Objective: 02-03 Analyze a marketing situation using SWOT analyses.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.	

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6b. First-time Spirit Airlines customers someti...

First-time Spirit Airlines customers sometimes don't understand its "bare fare" strategy, leading to unpleasant surprises when they check in at the airport. In terms of a SWOT analysis, this is an example of a(n)

- strategy.
- opportunity.
- threat.
- strength.
- → weakness.

In a SWOT analysis, a weakness is a negative factor internal to the company. Customers' incomplete understanding of Spirit's pricing structure is an example of a weakness in its strategy, as explained in the video.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.
6b. First-time Spirit Airlines customers someti...	Learning Objective: 02-03 Analyze a marketing situation using SWOT analyses.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.	

6c. When Spirit Airlines identifies itself as a...

When Spirit Airlines identifies itself as an ultra-low cost carrier (ULCC), it is _____ itself compared to other airlines.

- segmenting
- targeting
- → positioning
- situating
- evaluating

Firms position themselves in an attempt to give potential customers a clear, distinct understanding of the value the firm's offerings can provide compared to competitive offerings. In this case, Spirit's value proposition is its ultra-low price.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.
6c. When Spirit Airlines identifies itself as a...	Learning Objective: 02-03 Analyze a marketing situation using SWOT analyses.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.	

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6d. When Spirit Airlines expands into additiona...

When Spirit Airlines expands into additional cities, which growth strategy is it using?

- Product development
- Related diversification
- Unrelated diversification
- Market penetration
- → Market development

A market development growth strategy involves offering an existing product to a new market, which is what happens when an airline expands into new cities.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.
6d. When Spirit Airlines expands into additiona...	Learning Objective: 02-03 Analyze a marketing situation using SWOT analyses.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.	

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6e. Which of the sources of sustainable competit...

Which of the sources of sustainable competitive advantage discussed in the text is Spirit Airlines most likely pursuing with its ultra-low cost carrier strategy?

- Locational excellence
- Customer excellence
- → Operational excellence
- Price excellence
- Product excellence

Operational excellence refers to a strategy that emphasizes efficient operations in order to keep costs low. A low-price airline must operate efficiently in order to survive. Price excellence is not one of the sources of sustainable competitive advantage discussed in the text; in fact, low price alone is rarely enough to achieve a sustainable competitive advantage.

References

Multiple Choice	Learning Objective: 02-01 Define a marketing strategy.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.
6e. Which of the sources of sustainable competit...	Learning Objective: 02-03 Analyze a marketing situation using SWOT analyses.	Learning Objective: 02-07 Describe how firms grow their business.
Difficulty: 2 Medium	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.	

Follow-Up Activity

- Review a section of the Spirit Airlines website to learn more about their strategy and how the website reflects it. Two suggestions based on the website as it exists when I'm writing this:
  - https://www.spirit.com/OptionalServices—shows the extras they charge for
  - http://marketing.spirit.com/how-to-fly-spirit-airlines/en/—"Spirit 101," where they explain their approach to pricing

ISEEIT VIDEO CASE: MARKETING STRATEGY AND THE MARKETING PLAN

- **Activity Type:** Video Case
- **Learning Objectives:** 02-02, 02-03, 2-04, 2-05
- **Difficulty:** Easy
- **Activity Summary:** This video case views marketing strategy from the perspective of the owner of an independent coffee shop, as she considers working through the different phases of a marketing plan for her shop.

Activity

- **Introduction:** Strategic marketing is an approach in which an organization effectively leverages its resources to reach its target market. The marketing plan is how organizations operationalize their strategies by planning how to reach their markets, implementing their marketing activities, and measuring marketing performance. Take for instance the Coffee Collective and how it has successfully marketed its unique coffee experience. Martha, the owner, knows that the four Ps represents only one key aspect of effective marketing—the implementation phase. She realizes that before she can implement a marketing strategy, she must first understand the environment in which her coffee shop exists. She also understands the importance of evaluating marketing effectiveness as the final component of the marketing plan. Success, after all, is more than selling just one cup of coffee, and it can be measured using a range of outcomes—from revenue to customer loyalty.
- **Video:** The video is presented to the student below the introductory information. The video plays embedded on the page, after which questions are presented.

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7a. In order to examine the strengths of the Coffe...00

In order to examine the strengths of the Coffee Collective within a SWOT analysis, Martha would need to evaluate the _____ and _____ factors of her organization.

- external; unfavorable
- location; determinant
- → internal; favorable
- internal; unfavorable
- external; favorable

In order to build on its strengths, an organization needs to identify favorable, internal factors that will help it to grow.

References

Multiple Choice	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.
7a. In order to examine the strengths of the Coffe...00	Learning Objective: 02-03 Analyze a marketing situation using SWOT analyses.	
Difficulty: 1 Esay	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.	

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7b. In order for Martha to categorize prospectiv...

In order for Martha to categorize prospective buyers into groups that have common needs and will respond similarly to a marketing action, she will need to complete a _____.

- market inquiry
- marketing program
- → market segmentation
- strategic planning analysis
- four Ps segmentation

Market segmentation is an important step in the planning process, as it requires organizations to identify groups of customers that have similar needs that can be addressed through a marketing action.

References

Multiple Choice	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.
7b. In order for Martha to categorize prospectiv...	Learning Objective: 02-03 Analyze a marketing situation using SWOT analyses.	
Difficulty: 1 Esay	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.	

7c. Which of the following is NOT one of the...

Which of the following is NOT one of the three phases of the strategic marketing process?

- Implementation phase
- → Determination phase
- Evaluation phase
- Planning phase

The strategic marketing process is divided into three phases: planning, implementation, and evaluation (or control).

References

Multiple Choice	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.
7c. Which of the following is NOT one of the...	Learning Objective: 02-03 Analyze a marketing situation using SWOT analyses.	
Difficulty: 1 Esay	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.	

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7d. The Coffee Collective will need to detail t...

The Coffee Collective will need to detail the day-to-day operational decisions that are needed to execute the marketing planning phase. These actions are often organized into the "Four Ps," also called the _____.

- points of difference
- situation analysis
- marketing metrics
- → marketing mix
- SWOT analysis

The marketing mix consists of the detailed day-to-day operational decisions related to product, price, place, and promotion, which are essential to the overall success of marketing strategies in the second phase of the marketing plan.

References

Multiple Choice	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.
7d. The Coffee Collective will need to detail t...	Learning Objective: 02-03 Analyze a marketing situation using SWOT analyses.	
Difficulty: 1 Esay	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.	

7e. When Martha needs to compare the results of ...

When Martha needs to compare the results of the marketing program for the Coffee Collective and then implement changes based upon what she finds, she is in the _____ phase of the strategic marketing process.

- program
- planning
- implementation
- responsibilities
- → evaluation

The final phase of the marketing planning process is evaluating the results of marketing activities to determine if any changes may be needed moving forward.

References

Multiple Choice	Learning Objective: 02-02 Describe the elements of a marketing plan.	Learning Objective: 02-04 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.
7e. When Martha needs to compare the results of ...	Learning Objective: 02-03 Analyze a marketing situation using SWOT analyses.	Learning Objective: 02-05 Outline the implementation of the marketing mix as a means to increase customer value.

INTERACTIVE PRESENTATIONS

See Interactive Presentations LO 02-01, 02-02, 02-03, 02-04, 02-05, 02-06, 02-07.

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Chapter two

developing marketing strategies and a **marketing plan**

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Developing Marketing Strategies and a Marketing Plan

LO 2-1 Define a marketing strategy.

LO 2-2 Describe the elements of a marketing plan.

LO 2-3 Analyze a marketing situation using SWOT analyses.

LO 2-4 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.

LO 2-5 Outline the implementation of the marketing mix as a means to increase customer value.

LO 2-6 Summarize portfolio analysis and its use to evaluate marketing performance.

LO 2-7 Describe how firms grow their business.

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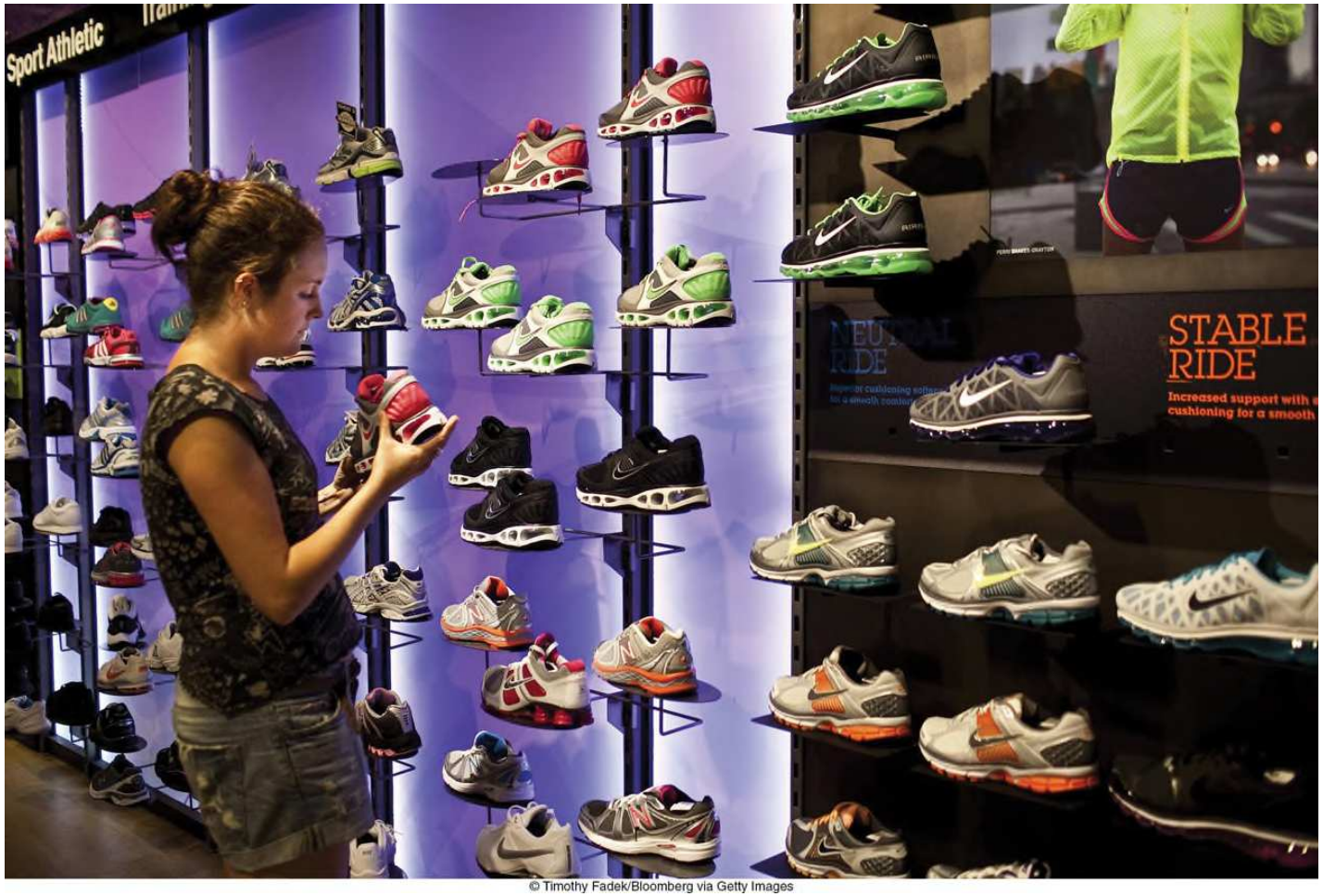
Nike



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Nike

Sustainable Competitive Advantage

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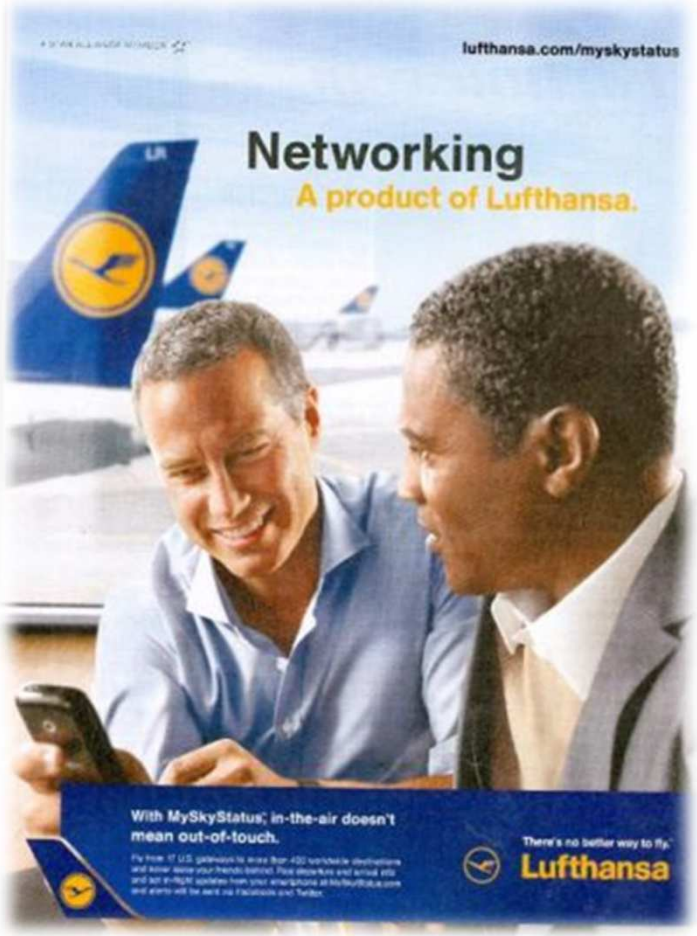
Customer Excellence

Retaining loyal customers

Customer service



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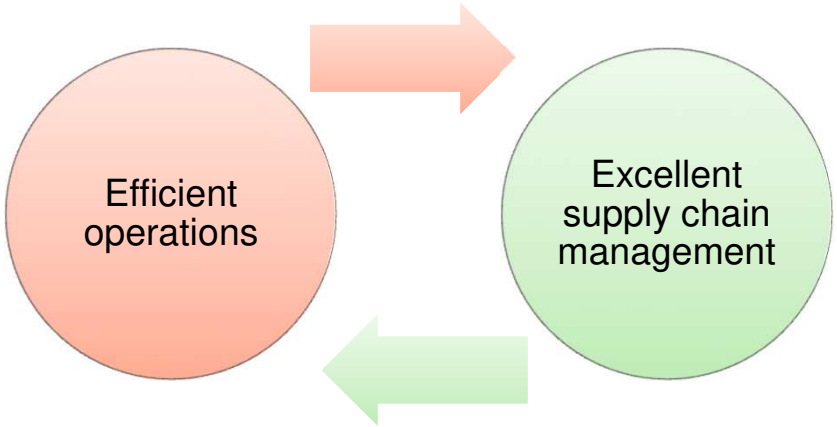
Operational Excellence

Roger Tully/Stone/Getty Images



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New Balance – Can America Compete?

Click on number to watch the video

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Product Excellence

Courtesy Bridgestone Americas, Inc..

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Locational Excellence

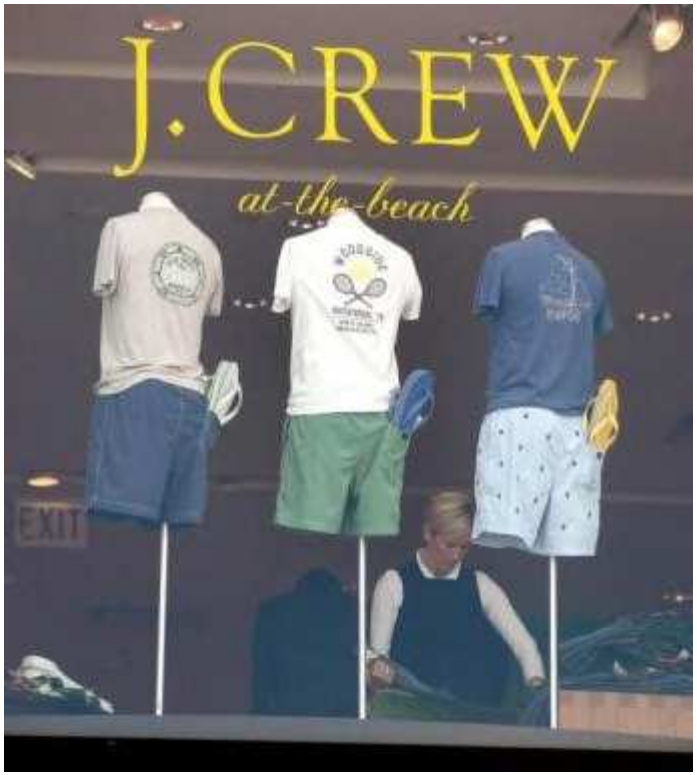

Photo by Tim Boyle/Getty Images

Many say “The three most important things in retailing are location, location, location.”

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What Competitive Advantage?

Courtesy TBWA/Hong Kong.

Singapore Airlines

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check yourself

1. What are the various components of a marketing strategy?
2. List the four macro strategies that can help a firm develop a sustainable competitive advantage.

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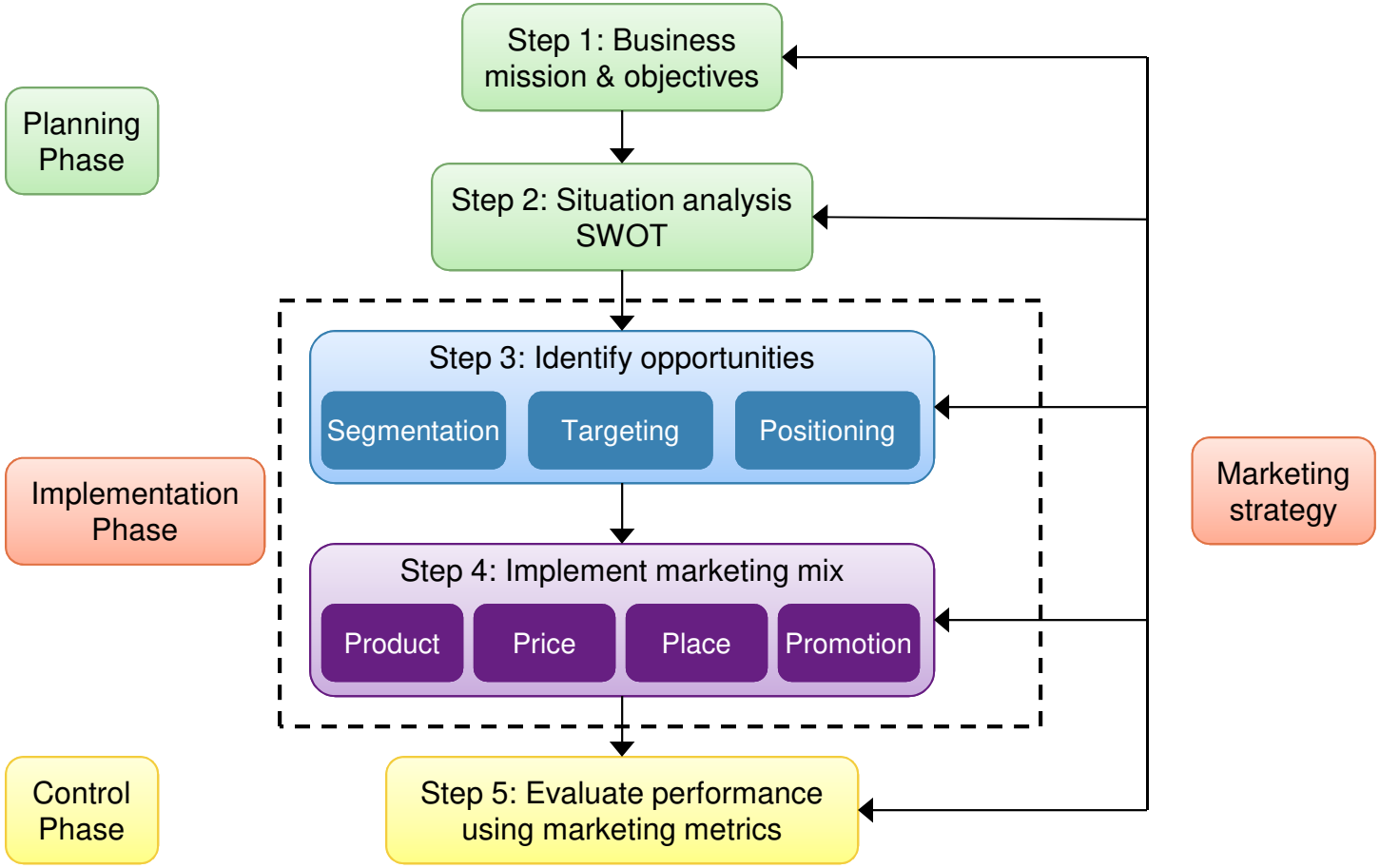
The Marketing Plan



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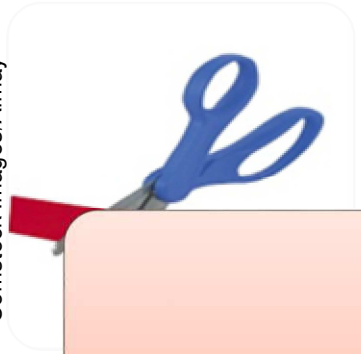
Three Phases of a Strategic Plan

Ryan McVay/Getty Images

Planning



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Implementing

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Controlling

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Step 1: Define the Business Mission

MADD Mission Statement:
MADD strives to stop drunk driving, support the victims of this violent crime, and prevent underage drinking.

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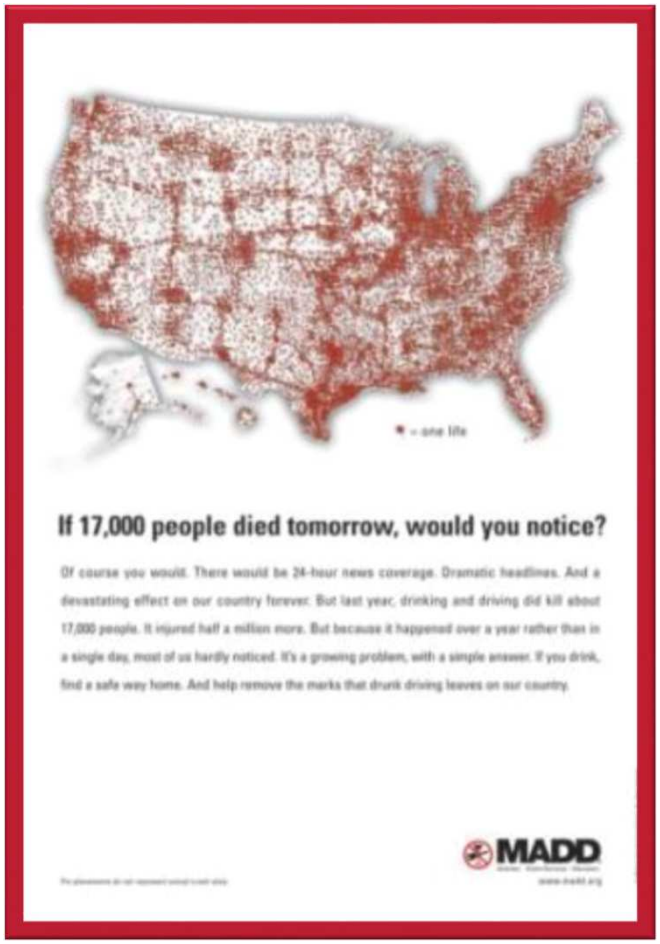
MADD Promotion



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Step 2: Conduct a Situation Analysis

		Environment	Evaluation
		Positive	*Negative*
Nike	**Internal**	**Strengths** Strong brand Strong celebrity endorsers Innovative products	**Weakness** Overreliance on footwear
	External	**Opportunity** Emerging countries Other fashion segments	**Threats** Cheaper imports Imitation products Retail becoming price competitive
adidas	**Internal**	**Strengths** Strong brand Portfolio of brands Strong global presence	**Weakness** Management of numerous brands
	External	**Opportunity** Emerging countries	**Threats** Cheaper imports Imitation products Recessionary forces

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Step 3: Identifying and Evaluating Opportunities Using STP

Segmentation

↓

Targeting

↓

Positioning

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Hertz: Market Segmentation

	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5
Segments	Single thrill seekers and gear heads on vacation Adrenaline Collection	Business customers and families who prefer a luxurious ride Prestige Collection	Environmentally conscious customers Green Collection	Families SUV/Minivan/4x4	Commercial customers Commercial Van/Truck
Cars Offered	Corvette ZHZ Chevrolet Camaro	Infiniti QX56 Cadillac Escalade	Toyota Prius Ford Fusion	Toyota Rav 4 Ford Explorer	Ford Cargo Van

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What Segments?

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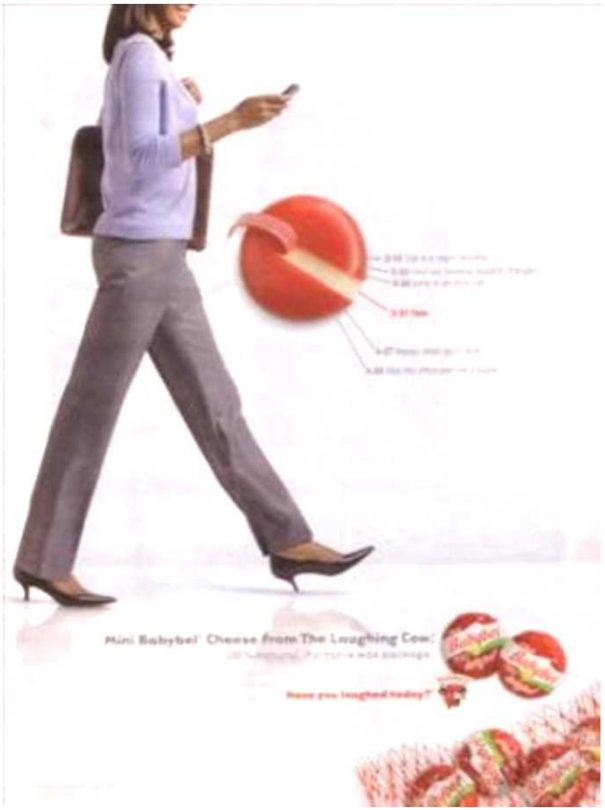
Step 4: Implement Marketing Mix and Allocate Resources



Courtesy Bel Brands USA

Product Value Creation	Price Value Capture
Place Value Delivery	Promotion Value Communication

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Product and Value Creation

Courtesy Amazon.com

Successful products and services are those that customers perceive as valuable enough to buy.

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Price and Value Capture

Price must allow for customers to perceive good value for the product they receive.

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Place and Value Delivery

Courtesy Sephora USA, Inc..

The product must be readily accessible.

Why is this retailer growing?

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Promotion and Value Communication

- Television
- Radio
- Magazines
- Sales force
- New Media

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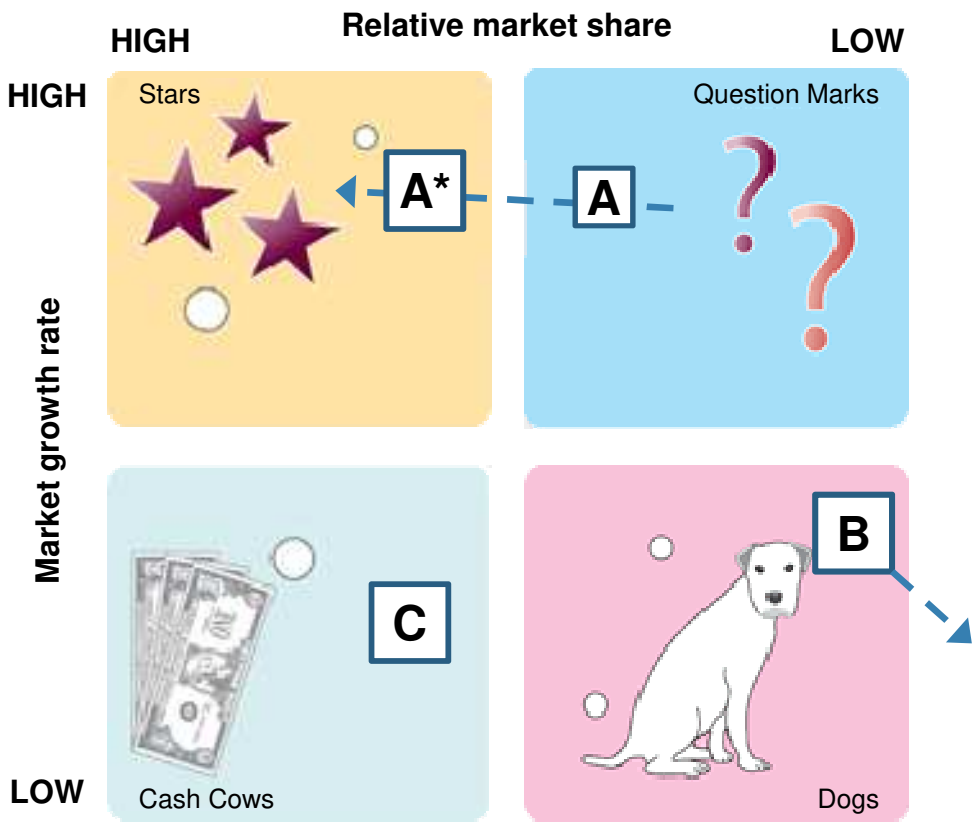
Step 5: Evaluate Performance Using Marketing Metrics



P&G Website

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Which Quadrant?

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Apple, Inc.

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check yourself

1. What are the five steps in creating a marketing plan?
2. What tool helps a marketer conduct a situation analysis?
3. What is STP?
4. What do the four quadrants of the portfolio analysis represent?

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Growth Strategies

MARKETS	PRODUCTS AND SERVICES: Current	PRODUCTS AND SERVICES: New
Current	Market Penetration	Product Development
New	Market Development	Diversification

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Market Penetration

Existing marketing mix

Existing customers

In what way is a sale a market penetration strategy?

Ryan McVay/Getty Images

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Market Development

Existing marketing mix

New customers

What can a company do to continue to grow in a difficult retail environment?

Frederic J Brown/AFP/Getty Images

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Product Development

New product or service

Current target market

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Game On – Clash of the Video Games

Click on number to watch the video

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Diversification

New product or service

New market segment

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check yourself

1. What are the four growth strategies?
2. What type of strategy is growing the business from existing customers?
3. Which strategy is the riskiest?

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Glossary

Customer excellence is achieved when a firm develops value-based strategies for retaining loyal customers and provides outstanding customer service.

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Glossary

A **diversification strategy** introduces a new product or service to a market segment that currently is not served.

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Glossary

Locational excellence occurs by having a good physical location and Internet presence.

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Glossary

A **market development strategy** employs the existing marketing offering to reach new market segments, whether domestic or international.

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Glossary

A **market penetration strategy** employs the existing marketing mix and focuses the firm's efforts on existing customers.

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Glossary

A **marketing plan** is a written document composed of an analysis of the current marketing situation, opportunities and threats for the firm, marketing objectives and strategy specified in terms of the four Ps, action programs, and projected or pro-forma income (and other financial) statements.

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Glossary

A **mission statement** is a broad description of a firm's objectives and the scope of activities it plans to undertake.

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Glossary

Operational excellence is achieved through efficient operations and excellent supply chain and human resource management.

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Glossary

A **product development strategy** offers a new product or service to a firm's current target market.

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Glossary

Product excellence occurs by having products with high perceived value and effective branding and positioning.

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Glossary

A **situation analysis** uses a SWOT analysis that assesses both the internal environment with regard to its **S**trengths and **W**eaknesses and the external environment in terms of its **O**pportunities and **T**hreats.

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Glossary

STP stands for segmentation, targeting, and positioning, and is used to identify and evaluate opportunities for increasing sales and profits.

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Glossary

A **sustainable competitive advantage** is an advantage over the competition that is not easily copied, and thus can be maintained over a long period of time.

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