Marketing 6th edition Grewal Solutions Manual

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Chapter 2
Developing Marketing Strategies and a Marketing Plan

Tools for Instructors

- Brief Chapter Outline
- Learning Objectives
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Brief Chapter Outline

What Is a Marketing Strategy?
The Marketing Plan
Growth Strategies
End of Chapter Learning Aids
Chapter Case Study: The Coffee Wars

Learning Objectives

LO2-1 Define a marketing strategy.

A marketing strategy identifies (1) a firm's target markets(s), (2) a related marketing mix (its 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.

LO2-2 Describe the elements of a marketing plan.

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

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LO2-3 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.

LO2-4 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 to pursue. 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.

LO2-5 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.

LO2-6 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, 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.

LO2-7 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 riskier strategy is when a firm diversifies into a completely unrelated business.

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Extended Chapter Outline with Teaching Tips

I. What Is a Marketing Strategy?

A. Customer Excellence

1. Retaining Loyal Customers

2. Providing Outstanding Customer Service

B. Operational Excellence

C. Product Excellence

D. Locational Excellence

E. Multiple Sources of Advantage

Progress Check: Several questions are offered for students to check their understanding of core concepts.

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.*

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

II. The Marketing Plan

A. Step 1: Define the Business Mission

B. Step 2. Conduct a Situation Analysis

C. Step 3: Identify and Evaluate Opportunities Using STP (Segmentation, Targeting, and Positioning)

1. Segmentation

2. Targeting

3. Positioning

D. Step 4: Implement Marketing Mix and Allocate Resources

1. Product and Value Creation Products

2. Price and Value Capture

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3. Place and Value Delivery

4. Promotion and Value Communication

E. Step 5: Evaluate Performance Using Marketing Metrics.

1. Who Is Accountable for Performance?

2. Performance Objectives, Marketing Analytics, 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.

Progress Check: Several questions are offered for students to check their understanding of core concepts.

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 matrics.

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

A. Market Penetration

B. Market Development

C. Product Development

D. Diversification

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Progress Check: Several questions are offered for students to check their understanding of core concepts.

1. *What are the four growth strategies?*

   Answer: 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.

Answers to End of Chapter Learning Aids

Marketing Digitally

1. **The mission statement for The Estee Lauder Companies is "'Bringing the best to everyone we touch'. By 'The best', we mean the best products, the best people and the best ideas. These three pillars have been the hallmarks of our Company since it was founded by Mrs. Estee Lauder in 1946. They remain the foundation upon which we continue to build our success today." Harley-Davidson, Inc.'s mission statement is more straightforward: "We fulfill dreams through the experience of motorcycling, by providing to motorcyclists and to the general public an expanding line of motorcycles and branded products and services in selected market segments." (both statements taken from: https://www.missionstatements.com/fortune_500_mission_statements.html) These different perspectives also reflect the quite different positioning adopted by each company. Visit the websites of each manufacturer and review the descriptions of the company, its mission, and its values. Do you believe these two disparate mission statements reflect what the firms do and how they are portrayed in the media? Justify your answer.**

Students should discuss the difference between the two mission statements and how they relate to both Estee Lauder's and Harley-Davidson's company's official descriptions.

About Estee Lauder
Our culture is often described as a rare mix of family values with a high-performing public company. This unique mix translates into a caring, collaborative and compassionate workplace that is also demanding—with a competitive spirit that is a powerful source of motivation. Above all else, there is a focus on long-term, sustainable growth which engenders loyalty and commitment from internal and external stakeholders.

About Harley-Davidson
Fulfilling dreams of personal freedom is more than a phrase. It's our purpose and our passion. We bring a commitment of exceptional customer experiences to everything we do—from the innovation of our products to the precision of our manufacturing—culminating with our strong supplier and dealer networks. We are Harley-Davidson.

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2. More and more firms seem to be entering the dating service industry. Visit www.eharmony.com and tour its website to find the types of activities and methods such companies use to help match compatible couples. Then visit www.match.com and do the same. What are the similarities and differences of these two online dating services? Pick one and perform a SWOT analysis for it.

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

	Positive	*Negative*
Internal	***STRENGTHS*** ♦ At-home convenience factor ♦ Multiple matching criteria ♦ Low client risk	***WEAKNESSES*** ♦ No guarantee that matches will be good or safe ♦ Requires client subscription to enable communication between matches
External	***OPPORTUNITIES*** ♦ Use matching criteria for couples to provide inexpensive counseling ♦ International expansion	***THREATS*** ♦ Many no-charge opportunities for singles to meet, online or off ♦ Potential for sexual predators to use the service negatively

3. Black and Decker (www.blackanddecker.com) and DeWalt (www.dewalt.com) are owned by the same parent company, and both sell similar products. Visit each of their websites and identify what markets each brand targets. Next, discuss how the two companies use the marketing mix differently to target these unique target markets.

Strategy	*DeWalt*	*Black & Decker*
Target Market	Professional User	Homeowner/DIYer
Product	Professional Use	Occasional Use
Pricing	Premium	Value
Place	ACE Hardware, Contractor Supply, etc.	Home Depot, Target, etc.
Promotion	Field Marketing	National TV Advertising, Merchandising

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Marketing Applications

1. How have PepsiCo and Coca-Cola created sustainable competitive advantages for themselves?

PepsiCo and Coca-Cola have created sustainable competitive advantages for themselves by building brand awareness through strategic sponsorships, unique advertising campaigns, and efficient operations.

2. Perform a SWOT analysis for the company that made your favorite shoes.

Students' answers will vary. Each answer should include strengths and weaknesses that are internal to the shoe manufacturer and opportunities and threats that are external to the manufacturer. Strengths for shoes might include: brand reputation, technology, fit. Weaknesses might include: lack of innovation, poor promotions, etc. Opportunities might revolve around new markets, global expansion, and trends in footwear. Threats might come from competitors, the economy, etc.

3. How does Coca-Cola segment its market? Describe the primary target markets for Coca-Cola. How does it position its various offerings so that it appeals to these different target markets?

<u>Geographic segmentation</u>
Coca-Cola has a countrywide network of product distribution but the company segments more in urban and suburban areas as compared to rural areas in the United States and does the same in other countries.

<u>Demographic segmentation</u>
- Age: 15-25 years old and 40 plus
- Gender: targets both genders with a wide variety of drinks
- Income: segments different income levels, for example, by packaging
- Family size: offers various bottle sizes: 500ml, 1L, 1.5L, 2L pack. People can easily choose a suitable pack based on their family size.

<u>Psychographics segmentation</u>
- People who are brand conscious will try to show their status by drinking Coca-Cola.
- Based on the level of education, the company can use ads to convey the company massage.
- Because Coca Cola is a recognized world brand, people will drink it without hesitation.

4. How does Hertz add value for business customers through the implementation of the four Ps?

Hertz positions itself as a quality car and truck rental company that is top of mind for its target segments. One of Hertz's primary market segments is business customers. Hertz uses the four P's to create value for its business customers:

- Product: Hertz uses its Prestige Collection, which features the Cadillac Escalade and Infiniti QX80, to target business customers.

- Price: Hertz offers business customers special deals and discounts for business travel. In addition, business customers can sign up for Hertz's loyalty rewards program for further discounts.

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- Promotion: Hertz uses marketing communications to tell their business customers that Hertz will help them enjoy their journey and reduce their travel time.

- Place: Hertz makes it easy for business customers to rent cars on business travel. Business customers are allowed to go through a separate line, or often bypass the lines altogether, to be on their way faster.

5. Dyson successfully sells its fans and heaters for $150 to $400, whereas most conventional fans sell for around $25. Explain what is the value it creates and how this affects the price it can charge.

Dyson fans and fan heaters draw in and redirect surrounding air without potentially dangerous or fast spinning blades or visible heating elements. These sculpturally beautiful appliances are perceived by consumers to be a valuable alternative to products that haven't significantly changed since the early 1900s.

6. Of the four growth strategies described in the chapter, which is the riskiest? Which is the easiest to implement? Why?

Of the four growth strategies, diversification is the riskiest because it involves significant reallocation of resources. Diversification requires firms to invest in both new products and new markets. Market penetration is probably the easiest to implement because it requires initiatives to get more of your current customers to purchase more of your current products. Programs that offer sales, discounts, two-for-one, or BOGO specials can assist in a market penetration strategy.

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

Customer excellence is achieved when a firm develops value-based strategies for retaining loyal customers and provides outstanding customer service. Students may provide examples of local firms or larger firms such as Nordstrom, Amazon.com, Zappos.com, and Ritz-Carlton. Firms that have a competitive advantage through product excellence have products with high perceived value and effective branding and positioning. Students might choose companies like Coca-Cola, Nike, and Apple. Operational excellence occurs through efficient operations and excellent supply chain and human resource management. Companies with operational excellence include Dell, Toyota, and Walmart. Students should justify their answers.

8. You are in the job market and have received offers from three very different firms. Develop a marketing plan to help market yourself to prospective employers.

Answers will vary based upon the three companies the student selects. The student should include details in each of the following areas:

1. Executive summary
2. Company overview
3. Objectives or goals
4. Situation analysis
5. Market/product/customer analysis
6. Marketing strategy
7. Financial projections
8. Implementation plan
9. Evaluation and control metrics

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Quiz Yourself

1. After a firm has conducted a SWOT analysis, it would typically progress to the next step of marketing planning, which is _____ and involves using STP (segmentation, targeting, and positioning).

   a. defining the mission
   b. conducting a situation analysis
   c. identifying and evaluating opportunities
   d. implementing the marketing mix
   e. evaluating performance

Answer: (c) identifying and evaluating opportunities

2. Which of the following is a marketing metric that might be used to evaluate the performance of a company's implementation of its marketing plan?

   a. Four Ps (price, product, promotion, place)
   b. SWOT analysis (strengths, weaknesses, threats, opportunities)
   c. STP (segmentation, targeting, positioning)
   d. GM (gross margin)
   e. SBU (strategic business unit)

Answer: (d) GM (gross margin)

Case Study: The Coffee Wars

1. **Perform a SWOT analysis for Starbucks and Dunkin' Donuts. Based on your analysis, in which company would you invest? Justify your answer.**

SWOT analysis: Starbucks

	Positive	*Negative*
Internal	***STRENGTHS*** • Ubiquitous Stores • Social Marketing Channels	***WEAKNESSES*** ♦ High Prices
External	***OPPORTUNITIES*** ♦ Growing Market	***THREATS*** ♦ New competitors (McDonald's and Taco Bell)

SWOT analysis: Dunkin' Donuts

	Positive	*Negative*
Internal	***STRENGTHS*** ♦ Strong sponsorships ♦ DoorDash	***WEAKNESSES*** ♦ Lower number of locations

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	OPPORTUNITIES	***THREATS***
External	♦ Growing Market	♦ New competitors (McDonald's and Taco Bell)

2. Which growth strategies have been pursued by Starbucks and Dunkin' Donuts in the past? Which strategies do you believe will be most successful for the two firms in the future? Why?

Starbucks: Starbucks connects with fans through social marketing channels, including its popular My Starbucks Idea site. New capabilities available through the apps will allow greater connections for the company.

Dunkin' Donuts: Through partnerships with sports teams (e.g., "Pats Win, You Win) Dunkin' Donuts encourages consumers to interact more closely with it. The popular, vastly successful promotion will continue to bring fans to its stores.

3. Which marketing metrics would be most helpful for an executive in charge of developing new products for a coffee chain?

Students will answer with different metrics. Some commonly used metrics to assess performance include revenues, or sales, and profits. An attempt to maximize one metric may therefore lower another. Thus, managers must understand how their actions affect multiple performance metrics. The metrics used to evaluate a firm vary depending on (1) the level of the organization at which the decision is made and (2) the resources the manager controls.

Additional Teaching Tips

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

The utility of the marketing plan must be conveyed throughout the course. Teach students that **the marketing plan is a subset of the business plan** that forms the foundational strategy of business. Students come to realize the importance of the marketing plan when the instructor frequently makes connections 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 the strengths, weaknesses, opportunities, and threats that may apply. Students can work as a group and then each group may put their items on the whiteboard 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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Connect Activities

Activity	Type	Learning Objectives 02-						
		01	02	03	04	05	06	07
Disney and the Strategic Marketing Planning Process	Click & Drag		X					
Staples: Implementing the Marketing Mix	Video Case					X		
Home Shopping Network	Video Case	X			X	X		
SWOT Analysis - Domino's Pizza	Click & Drag			X				
The Netflix Rollercoaster: How a Strategy Can Fail	Case Analysis	X	X			X	X	X
Spirit Airlines: Home of the Bare Fare	Video Case	X	X	X	X	X		X
SWOT Analysis: Ford Motor Company & Fiat Chrysler Automobiles	Click & Drag			X				
The Coffee Wars	Case Analysis	X		X				X
iSeeIt Video Case: Marketing Strategy and the Marketing Plan	Video Case		X	X	X		X	

Disney and the Strategic Marketing Planning Process

- **Activity Type:** Click & Drag
- **Learning Objectives:** 02-02
- **Difficulty:** Medium
- **Activity Summary:** Students 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.
- **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.

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 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.

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.
- 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.

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.

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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.

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 & Drag
- **Learning Objectives:** 02-03
- **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).

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.

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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.

Follow-Up Activity

Netflix recovered quickly 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

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.

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

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SWOT Analysis:
Ford Motor Company & Fiat Chrysler Automobiles

- **Activity Type:** Click & Drag
- **Learning Objectives:** 02-03
- **Difficulty:** Medium
- **Activity Summary:** This activity presents information about Ford Motor Company, focusing on F-series trucks, and on Fiat Chrysler's array of brands. Students are asked to classify the information provided about each firm using the SWOT analysis framework.

Activity

- **Introduction:** SWOT stands for strengths, weaknesses, opportunities, and threats. SWOT analysis evaluates what a firm is good at, where it could improve, where in the marketplace it might excel, and what events in the marketplace could potentially harm the firm. This activity is important because it demonstrates how integral SWOT analysis is to the strategic planning process.

The Coffee Wars

- **Activity Type:** Case Analysis
- **Learning Objectives:** 02-01, 02-03, 02-07
- **Difficulty:** Medium
- **Activity Summary:** This case compares and contrasts the marketing strategies Starbucks and Dunkin' Donuts in the coffee market. After reading the case, students answer questions applying chapter concepts to the case information.

Activity

- **Introduction:** Starbucks and Dunkin' Donuts are the two largest competitors in the coffee and breakfast retail market. Their approaches to competing in this market are described in the case. This activity is important because a strong marketing strategy—one that helps to build a sustainable competitive advantage—is the basis for all marketing activities.

Follow-Up Activity

Look at the Dunkin' Donuts and Starbucks websites in class. Consider their active promotions; are they consistent with the strategies discussed in the case?

iSeeIt Video Case:
Marketing Strategy and the Marketing Plan

- **Activity Type:** Video Case
- **Learning Objectives:** 02-02, 02-03, 2-04, 2-06

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- **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 where 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 4 P's are 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 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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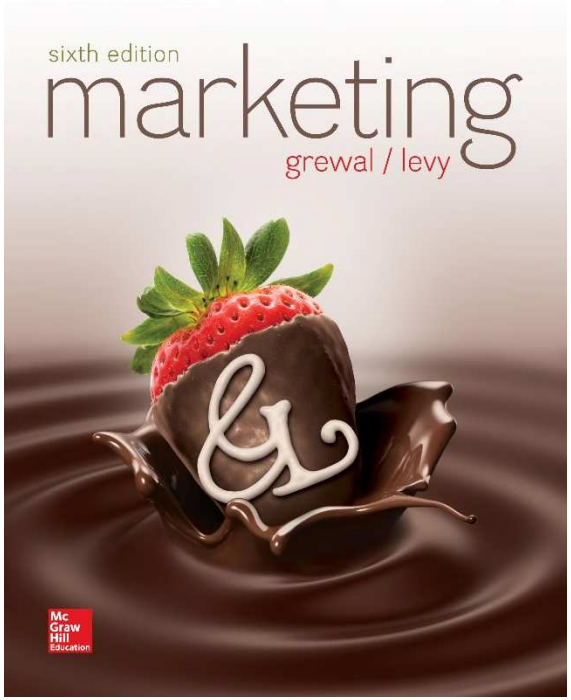
Chapter 2

Developing Marketing Strategies and a Marketing Plan



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Learning Objectives

Learning Objective 2.1 Define a marketing strategy.

Learning Objective 2.2 Describe the elements of a marketing plan.

Learning Objective 2.3 Analyze a marketing situation using SWOT analyses.

Learning Objective 2.4 Describe how a firm chooses which consumer group(s) to pursue with its marketing efforts.

Learning Objective 2.5 Outline the implementation of the marketing mix as a means to increase customer value.

Learning Objective 2.6 Summarize portfolio analysis and its use to evaluate marketing performance.

Learning Objective 2.7 Describe how firms grow their business.

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Sustainable Competitive Advantage

Jump to Appendix_1 long image description

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PROGRESS CHECK (1 of 3)

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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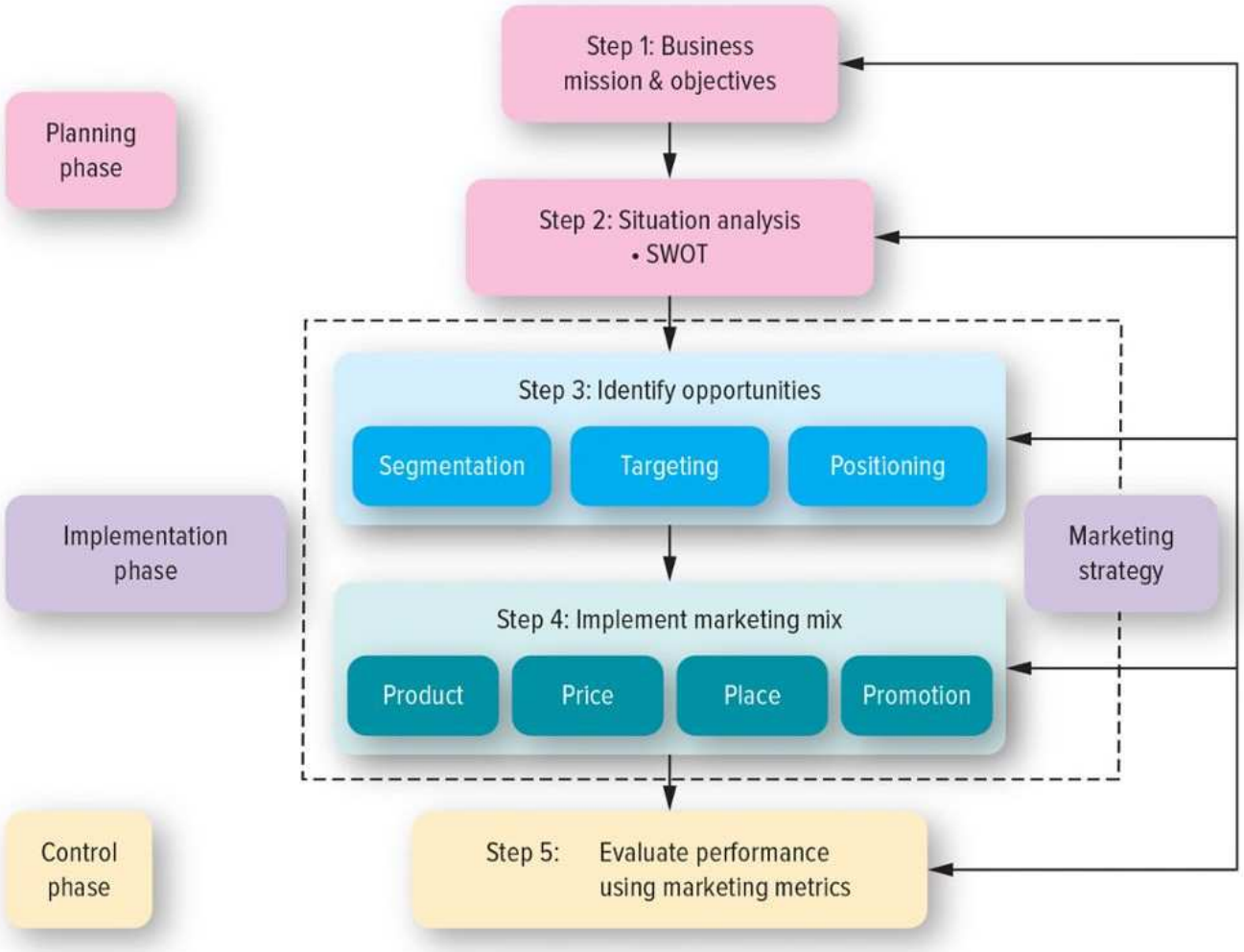
The Marketing Plan



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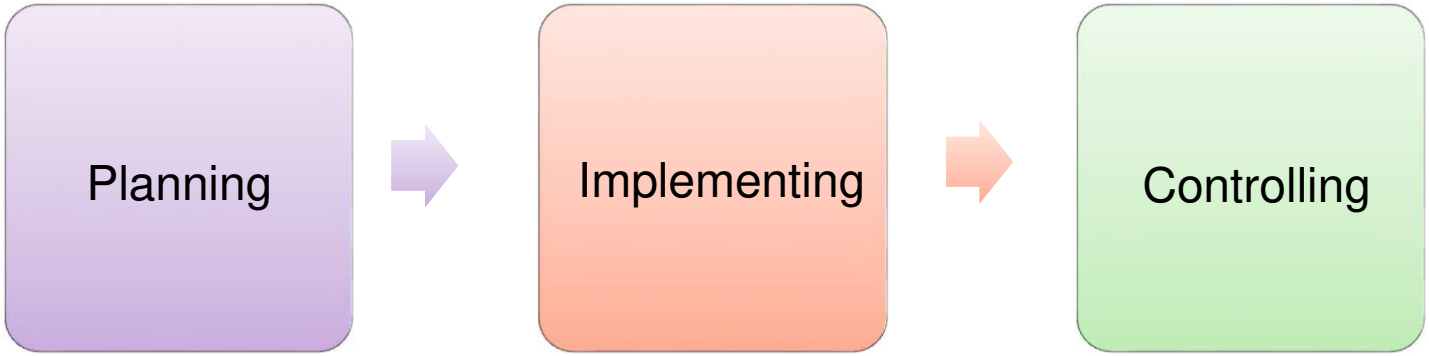
Three Phases of a Strategic Plan



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Step 1: Define the Business Mission

PepsiCo's <u>Mission Statement</u>:

"To provide consumers around the world with delicious, affordable, convenient and complementary foods and beverages from wholesome breakfasts to healthy and fun daytime snacks and beverages to evening treats."

Coke's Mission Statement:

"To refresh the world … To inspire moments of optimism and happiness … To create value and make a difference."

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Step 2: Conduct a Situation Analysis
(1 of 2)

		Environment	Evaluation
		Positive	Negative
Pepsi	Internal	Strengths • Brand product portfolio • Strong celebrity endorsers • Dedication to charitable and social causes	Weakness • Relatively lower brand awareness • Water source for bottled water
	External	Opportunity • Emerging countries • Health food segments • Bottled water	Threats • Water scarcity • Changes to labeling regulations • Increase competition

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Step 2: Conduct a Situation Analysis
(2 of 2)

		Environment	Evaluation
		Positive	Negative
Coca-Cola	Internal	Strengths • Very strong brand • Strong global presence • Excellent customer loyalty	Weakness • Over-reliance on carbonated drinks • Negative sugar-related publicity
	External	Opportunity • Emerging countries	Threats • Water scarcity • Potential market saturation • Changes to labeling regulations

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Step 3: Identifying and Evaluating Opportunities Using STP

Segmentation

Targeting

Positioning

Courtesy The Hertz Corporation

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Step 4: Implement Marketing Mix and Allocate Resources

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

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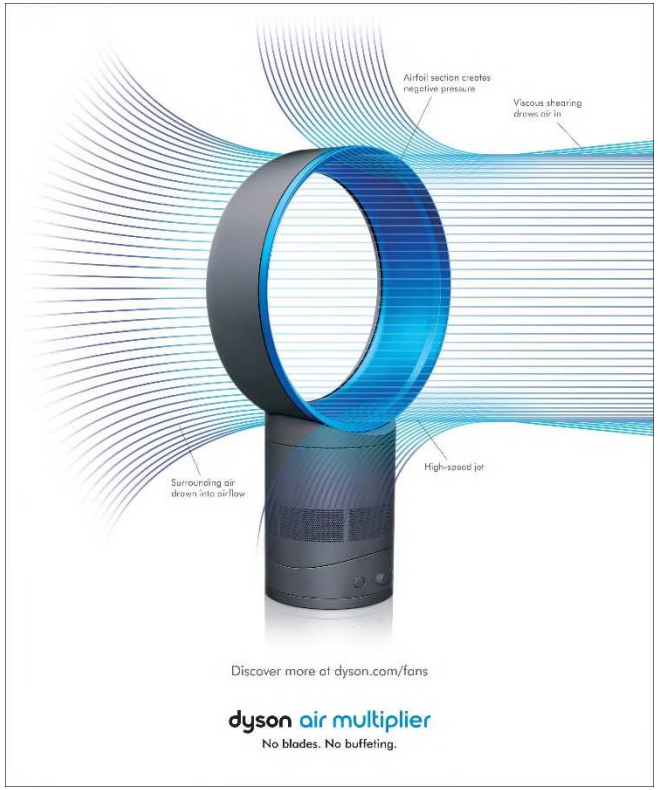
Product and Value Creation

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



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Source: Dyson, Inc.; © Stockbyte/PunchStock RF

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

The product must be readily accessible

Why is Sephora growing?

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Promotion and Value Communication

- Advertising
- Personal selling
- Sales promotion
- Public relations
- Direct marketing
- Online marketing (including social media)

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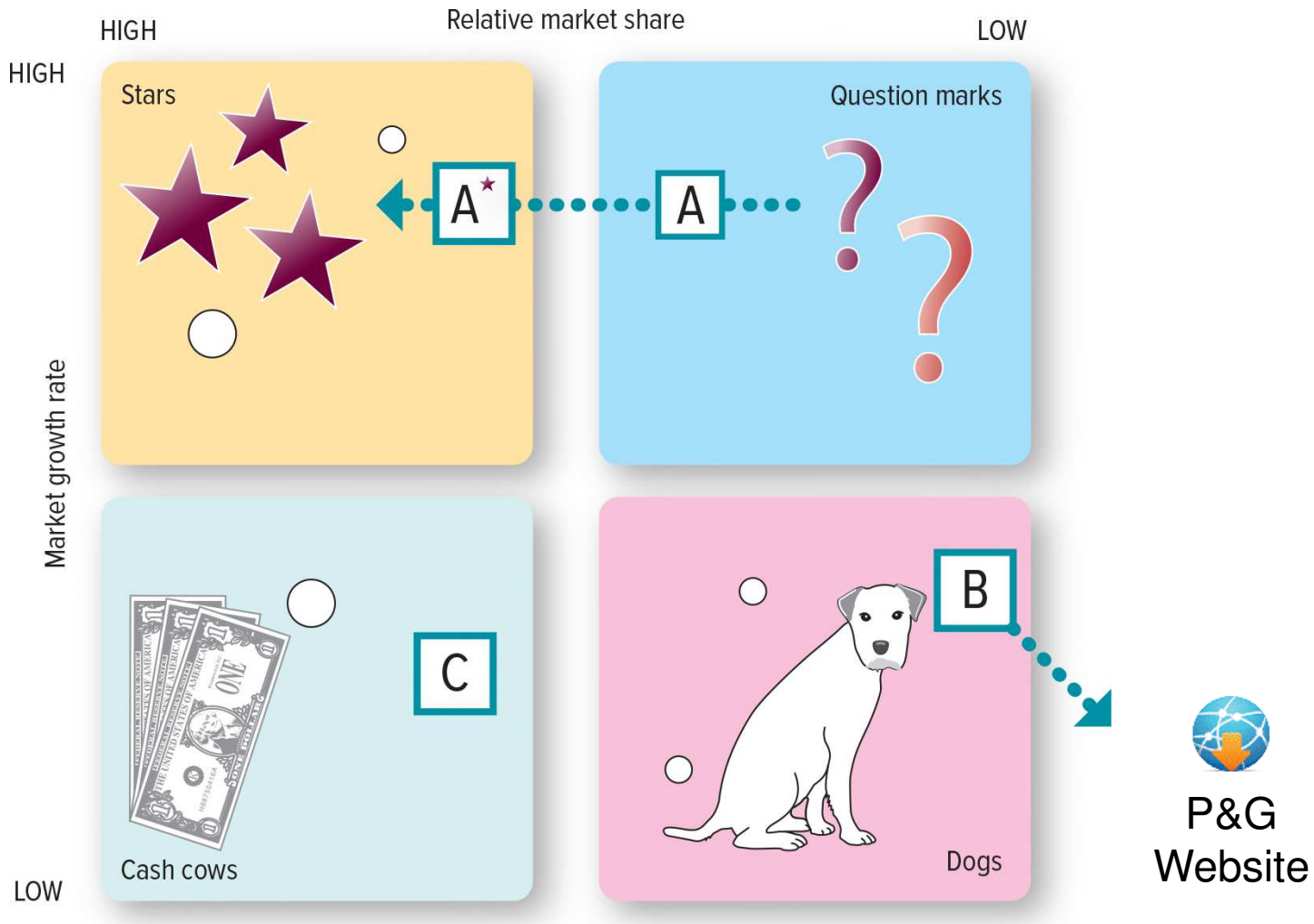
Step 5: Evaluate Performance and Make Adjustments



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PROGRESS CHECK (2 of 3)

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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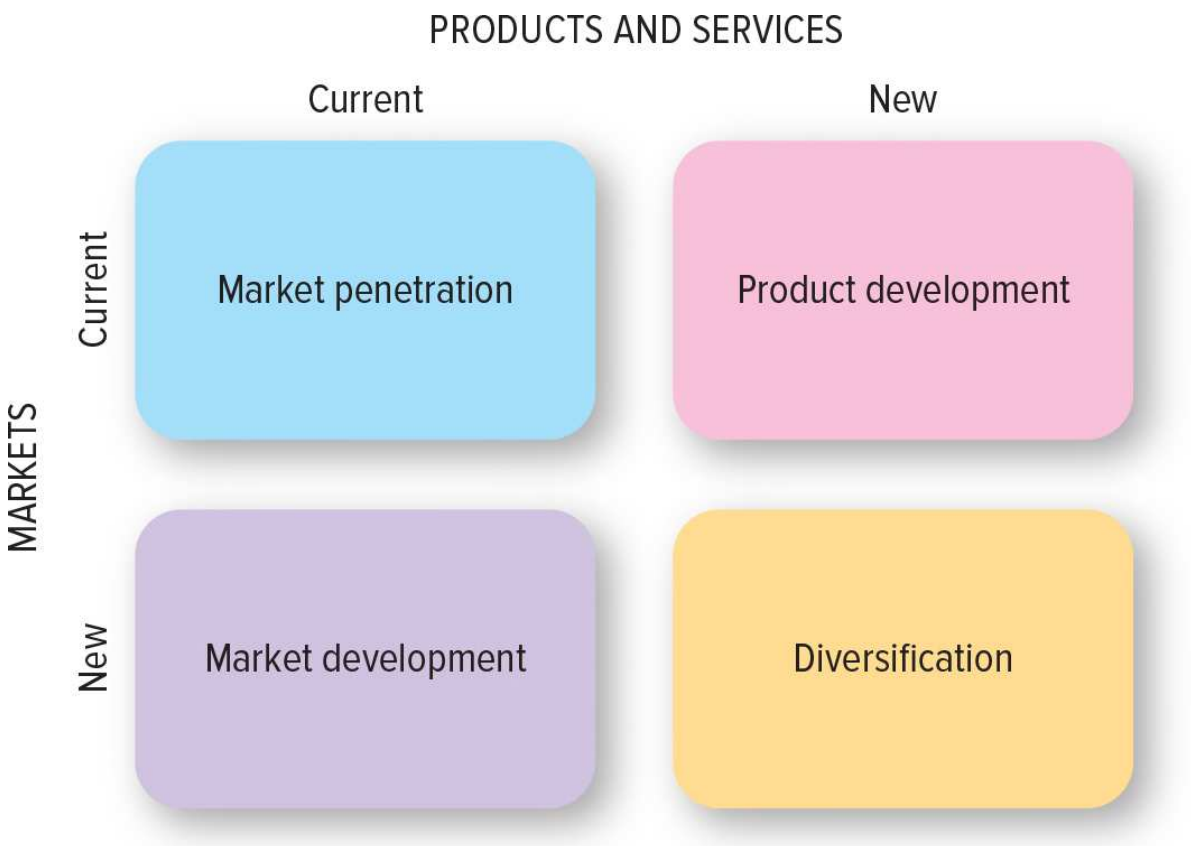
Growth Strategies



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Market Development

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

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Product Development

New product or service

Current target market

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Diversification

New product or service

New market segment

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PROGRESS CHECK (3 of 3)

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

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Glossary-1

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-2

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

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Glossary-3

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

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Glossary-4

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

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Glossary-5

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

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Glossary-6

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-7

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-8

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

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Glossary-9

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

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Glossary-10

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

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Glossary-11

A **situation analysis** uses a SWOT analysis that assesses both the internal environment with regard to its Strengths and Weaknesses and the external environment in terms of its Opportunities and Threats.

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Glossary-12

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-13

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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Image Descriptions Appendix

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Appendix 1 Sustainable Competitive Advantage

The central circle of customer value is surrounded by smaller circles labeled customer excellence, operational excellence, product excellence, and locational excellence. These are the four macro strategies for developing customer value.

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Appendix 2 The Marketing Plan

The Planning Phase

Step 1: Business mission and objectives.

Step 2: Situation analysis (SWOT).

The Implementation Phase

Step 3: Identify opportunities

Segmentation, targeting and positioning.

Step 4: Implement marketing mix

Product, price, place and promotion.

The Control Phase

Step 5: Evaluate performance using marketing metrics.

All of these result in the marketing strategy. It is not necessary for firms to go through the entire process for every evaluation.

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Appendix 3 Step 5: Evaluate Performance and Make Adjustments

A square is divided into four equal quadrants. The vertical axis, market growth rate, is labeled high on the upper end and low on the lower end. The horizontal axis, relative market share, is labeled high on the left side and low on the right side. The quadrants are labeled as follows:

Stars. High market growth rate. High relative market share.

Question marks. High market growth rate. Low relative market share.

Cash cows. Low market growth rate. High relative market share.

Dogs. Low market growth rate. Low relative market share.

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Appendix 4 Growth Strategies

Market penetration (current market and current products and services).

Product development (current market and new products and services).

Market development (new market and current products and services).

Diversification (new market and new products and services).

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Marketing
Chapter 2

The End

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