

## Chapter 2

# COMPANY AND MARKETING STRATEGY: PARTNERING TO BUILD CUSTOMER RELATIONSHIPS

### CHAPTER OVERVIEW

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In the first chapter, we explored the marketing process by which companies create value for consumer in order to capture value in return. In this chapter, we look at designing customer-driven marketing strategies and constructing marketing programs. First we look at the organization's overall strategic planning, which guides marketing strategy and planning. Next, we discuss how marketing partners closely with others inside and outside the firm to create value for customers. We then examine marketing strategy and planning – how marketers choose target markets, position their market offering, develop a marketing mix, and manage their marketing programs. Lastly, we will look at the step of measuring and managing return on marketing investment.

### CHAPTER OBJECTIVES

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1. Explain companywide strategic planning and its four steps.
2. Discuss how to design business portfolios and develop growth strategies.
3. Explain marketing's role under strategic planning and how marketing works with its partners to create and deliver customer value.
4. Describe the elements of a customer-driven marketing strategy and mix, and the forces that influence it.
5. List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing return on marketing.

### CHAPTER OUTLINE

P. 41	<b>INTRODUCTION</b>  The Nike Swoosh—it's everywhere!  Phil Knight and college track coach Bill Bowerman co-founded the company, Nike was a brash, young upstart in the athletic footwear industry. In 1964, the pair chipped in \$500 a piece to start Blue Ribbon Sports in 1972 introducing the first "Nike" brand of shoe.	P. 41 Photos: Nike
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	<p>Through the years Nike has been able to develop a variety of Marketing strategies and has provided value to the customer.</p> <p>Even today, in the uncertain economic times Nike views this as “an incredible opportunity” to take advantage of its strong brand. As in sports competition, the strongest and best prepared athlete has the greatest chance of winning.</p> <p>With sales past the \$10 Billion dollar mark, Nike has been able to adapt to market trends, and ensure satisfied customers along the way!</p>	
	<ul style="list-style-type: none"> <li>➤ <b>Assignments, Resources</b> Use <a href="#">Small Group Assignment 1</a> here Use <a href="#">Individual Assignment 1</a> here Use <a href="#">Web Resources 1 and 2</a> here</li> </ul>	
	<ul style="list-style-type: none"> <li>➤ <b>Opening Vignette Questions</b> <ol style="list-style-type: none"> <li>1. What are some of the many media that Nike uses to reach its audience?</li> <li>2. Why do you believe Nike has been able to attract so many big-name opinion leaders to use their products?</li> </ol> </li> </ul>	
P. 42	<p><b>COMPANYWIDE STRATEGIC PLANNING: DEFINING MARKETING’S ROLE</b></p> <p>The hard task of selecting an overall company strategy for long-run survival and growth is called strategic planning.</p>	Chapter Objective 1
PPT 2-3	<p><b>Strategic planning</b> is the process of developing and maintaining a strategic fit between the organization’s goals and capabilities and its changing market opportunities.</p>	P. 42 Key Term: Strategic Planning
PPT 2-4	<p>Strategic planning sets the stage for the rest of the planning in the firm.</p> <p>Companies typically prepare annual plans, long-range plans, and strategic plans.</p>	P. 43 Figure 2.1: Steps in Strategic Planning
	<ul style="list-style-type: none"> <li>➤ <b>Assignment, Resources</b> Use <a href="#">Discussing the Concepts 1</a> here</li> </ul> <p><b>Troubleshooting Tip</b></p> <p>Most students have had no experience with strategy or strategy formulation (especially at the undergraduate level). Because their background in</p>	

<p>strategy is weak, their ability to strategically plan is also weak. The best way to attack this problem is to follow the explanation sequence provided by the text. Before this discussion begins, however, it might be useful to find areas where students have had strategic planning experience (such as athletics, student politics, games, video games, chess, computer games, etc.). By asking the students to recall and relate these experiences, parallels can be drawn to business strategies and the plans that result from these strategies (for example, think of all the military and athletic terms that might be used to describe business strategy—i.e., flanker movement for flanker brands).</p>		
P. 43  PPT 2-5  PPT 2-6	<p><b>Defining a Market-Oriented Mission</b></p> <p>Many organizations develop formal mission statements. A <b>mission statement</b> is a statement of the organization's purpose – what it wants to accomplish in the larger environment.</p> <p>A clear mission statement acts as an “invisible hand” that guides people in the organization.</p> <p>A market-oriented mission statement defines the business in terms of satisfying basic customer needs.</p> <p>Management should avoid making its mission too narrow or too broad.</p> <p>Missions should be realistic, specific, fit the market environment, based on the company's distinctive competencies, and motivating.</p>	<p>P. 43 Key Term: Mission Statement  P. 43 Photo: Canadian Tire  P. 44 Table 2.1: Market-Oriented Business Definitions</p>
P. 44  PPT 2-8	<p><b>Setting Company Objectives and Goals</b></p> <p>The company's mission needs to be turned into detailed supporting objectives for each level of management.</p> <p>The mission leads to a hierarchy of objectives, including business objectives and marketing objectives.</p> <p>Marketing strategies and programs must be developed to support these marketing objectives.</p>	<p>P. 44 &amp; 45 Real Marketing: McDonald's – On a Customer-focused Mission</p>

P. 47  PPT 2-9	<p><b>Designing the Business Portfolio</b></p> <p>A <b>business portfolio</b> is the collection of businesses and products that make up the company.</p> <p>The best portfolio is the one that best fits the company's strengths and weaknesses to opportunities in the environment.</p> <p>The major activity in strategic planning is business portfolio analysis, whereby management evaluates the products and businesses making up the company.</p>	Objective 2  P. 47 Key Terms: Business portfolio Portfolio Analysis, Growth Share Matrix
<p>➤ <b>Assignments, Resources</b> Use <a href="#">Application Question 1</a> here</p>		
PPT 2-10  PPT 2-11  PPT 2-12	<p>A <b>strategic business unit (SBU)</b> is a unit of the company that has a separate mission and objectives and that can be planned independently from other company businesses.</p> <p>The next step in business portfolio analysis calls for management to assess the attractiveness of its various SBUs and decide how much support each deserves.</p> <p>Most standard portfolio-analysis methods evaluate SBUs on two important dimensions – the attractiveness of the SBU's market or industry and the strength of the SBU's position in that market or industry.</p> <p><b>The Boston Consulting Group Approach</b> The best-known portfolio-planning method was developed by the Boston Consulting Group.</p> <p>This matrix defines four types of SBUs:</p> <ul style="list-style-type: none"> <li>• Stars: High-growth market, high-share product;</li> <li>• Cash cows: Low-growth market, high-share product;</li> <li>• Question marks: Low-share product, high-growth market;</li> <li>• Dogs: Low-share product, low-growth market.</li> </ul> <p>Once it has classified its SBUs, the company must determine what role each will play in the future.</p> <p>The company can invest more in the business unit in order</p>	P. 48  Figure 2.2: The BCG Growth-Share Matrix

	<p>to grow its share. It can invest just enough to hold the SBU's share at the current level. It can harvest the SBU, milking its short-term cash flow regardless of the long-term effect. Or it can divest the SBU by selling it or phasing it out.</p>	
	<p>➤ <b>Assignments, Resources</b>            Use <a href="#">Additional Project 1</a> here            Use <a href="#">Think-Pair-Share 1</a> here            Use <a href="#">Discussing the Concepts 2</a> here            Use <a href="#">Web Resource 3</a> here            Use <a href="#">Web Resource 4</a> here            Use <a href="#">Real Marketing 2.1</a> here (Text – pg. 45)            Use <a href="#">Small Group Assignment 2</a> here            Use <a href="#">Individual Assignment 2</a> here</p> <p>➤ <b>Troubleshooting Tip</b>            This simple matrix is the basis for many portfolio analysis techniques. An easy way to cover this material quickly is to assign each of the four parts to four students in advance of class. Next, have them respond to example suggestions (illustrations of the four cells) from their classmates. This will reinforce the material for the entire class.</p>	
PPT 2-13	<p><b>Problems with matrix approaches</b> Portfolio-analysis approaches have limitations.</p> <ul style="list-style-type: none"> <li>• They can be difficult, time-consuming, and costly to implement.</li> <li>• Management may find it difficult to define SBUs and measure market share and growth.</li> <li>• These approaches focus on classifying current businesses but provide little advice for future planning.</li> </ul> <p>Because of such problems, many companies have dropped formal matrix methods in favor of more customized approaches that are better suited to their specific situations.</p>	P. 49 Key Terms: Product/market Expansion Grid, Market Penetration
PPT 2-14	<p><b>Developing Strategies for Growth and Downsizing</b></p>	P. 49 Photo: Disney
PPT 2-15	<p>Designing the business portfolio involves finding businesses and products the company should consider in the future.</p> <p>Marketing has the main responsibility for achieving profitable growth for the company.</p>	P. 50 Figure 2.3: The Product/Market Expansion Grid

PPT 2-16 PPT 2-17 PPT 2-18	<p>Marketing must identify, evaluate, and select market opportunities and lay down strategies for capturing them.</p> <p>The <b>product/market expansion grid</b> is shown in Figure 2.3.</p> <ul style="list-style-type: none"> <li>• <b>Market penetration</b> involves making more sales to current customers without changing its products.</li> <li>• <b>Market development</b> involves identifying and developing new markets for its current products.</li> <li>• <b>Product development</b> is offering modified or new products to current markets.</li> <li>• <b>Diversification</b> is where a company starts up or buys businesses outside of its current products and markets.</li> </ul> <p>Companies must also develop strategies for <b>downsizing</b> their businesses.</p>	<p>P. 50 Key Terms: Market Development, Product Development, Diversification, Downsizing</p> <p>P. 50 Photo: Starbucks</p>
<p>➤ <b>Troubleshooting Tip</b></p> <p>Many students will have an incomplete understanding of the growth strategies shown in the <i>product/market expansion grid</i>. Though these areas are carefully described in the text, it is useful to make sure that students understand the mix of alternatives available to the strategist. One way to do this is to pick another example besides the Tim Horton's example used in the text and have the students suggest acceptable alternatives. Remind students to think about how the example companies have expanded or contracted in recent years. Lastly, make students practice using the terms from the expansion grid in their discussions so a proper business strategy vocabulary will be built. This practice will really help the students when an exam rolls around.</p>		
P. 51	<p><b>PLANNING MARKETING: PARTNERING TO BUILD CUSTOMER RELATIONSHIPS</b></p> <p>Within each business unit, more detailed planning takes place. The major functional departments in each unit must work together to accomplish strategic objectives.</p> <p>Marketing provides a guiding philosophy—the marketing concept—that suggests that company strategy should revolve around building profitable relationships with important customer groups.</p>	Objective 3

	<p>Marketing provides inputs to strategic planners by helping to identify attractive market opportunities and by assessing the firm's potential to take advantage of them.</p> <p>Marketing designs strategies for reaching the unit's objectives.</p> <ul style="list-style-type: none"> <li>➤ <b>Assignments, Resources</b> Use <a href="#"><u>Discussing the Concepts 3</u></a> here</li> </ul>	
P. 49	<p><b>Partnering with Other Company Departments</b></p> <p>Each company department can be thought of as a link in the company's value chain.</p>	P. 51 Key Term: Value Chain
PPT 2-20	<p><b>Value chain</b> is the series of departments that carry out value-creating activities to design, produce, market, deliver, and support the firm's products.</p> <p>A company's value chain is only as strong as its weakest link.</p> <p>Success depends on how well each department performs its work of adding customer value and on how well the activities of various departments are coordinated.</p> <p>In practice, departmental relations are full of conflicts and misunderstandings.</p>	P. 52 Ad: Wal-Mart
P. 52	<p><b>Partnering with Others in the Marketing System</b></p> <p>The firm needs to look beyond its own value chain and into the value chains of its suppliers, distributors, and ultimately, customers.</p>	
PPT 2-21	<p>More companies today are partnering with other members of the supply chain to improve the performance of the customer <b>value-delivery network</b>.</p> <p>Increasingly, today's competition no longer takes place between individual competitors. Rather, it takes place between the entire value-delivery networks created by these competitors.</p>	P. 52 Key Term: Value-Delivery Network

	<ul style="list-style-type: none"> <li>➤ <b>Assignments, Resources</b> Use <i>Video Case</i> here</li> </ul>	
P. 53  PPT 2-22	<p><b>MARKETING STRATEGY AND THE MARKETING MIX</b></p> <p>Marketing's role and activities are shown in Figure 2.4; it summarizes the major activities involved in managing marketing strategy and the marketing mix.</p>	Objective 4  P. 53 Pic: L'Oreal
PPT 2-23	<p><b>Marketing strategy</b> is the marketing logic by which the company hopes to achieve these profitable relationships.</p>	P. 53-54 Key Terms: Marketing Strategy, Market Segmentation
P. 51  PPT 2-24	<p><b>Customer-Driven Marketing Strategy</b></p> <p>Companies know that they cannot profitably serve all consumers in a given market – at least not all consumers in the same way.</p> <p>The process of dividing a market into distinct groups of buyers with different needs, characteristics, or behavior who might require separate products or marketing programs is called <b>market segmentation</b>.</p>	P. 54 Figure 2.4: Managing Marketing Strategies and the Marketing Mix
	<ul style="list-style-type: none"> <li>➤ <b>Assignments, Resources</b> Use <a href="#">Web Resource 5</a> here</li> <li>➤ <b>Troubleshooting Tip</b> Market segmentation and targeting is universally a new concept to students, unless they happen to have a parent who works in marketing. Although this is discussed in detail in a future chapter, showing how a large, amorphous market can be broken down in more and more detailed groups of buyers will help.</li> </ul>	
PPT 2-25	<p><b>A market segment</b> consists of consumers who respond in a similar way to a given set of marketing efforts.</p> <p><b>Market targeting</b> involves evaluating each market segment's attractiveness and selecting one or more segments to enter.</p> <p>A company should target segments in which it can profitably generate the greatest customer value and sustain it over time.</p>	P. 54 Key Terms: Market Segment, Market Targeting

	<p><b>Market Differentiation and Positioning</b> A product's position is the place the product occupies relative to competitors in consumers' minds.</p> <p>Marketers want to develop unique market positions for their products.</p> <p>PPT 2-26 Market <b>positioning</b> is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target customers.</p> <p>Positioning establishes differentiation.</p> <p>To gain competitive advantage, the company must offer value to target consumers. This is accomplished through product <b>differentiation</b> – actually differentiating the company's market offering so that it gives consumers more value.</p>	P. 55 Key Terms: Positioning, Differentiation  P. 55 Ad: Burt's Bees
	<ul style="list-style-type: none"> <li>➤ <b>Assignments, Resources</b> Use <a href="#"><u>Discussing the Concepts 4</u></a> here</li> <li>➤ <b>Troubleshooting Tip</b> Market positioning can be difficult to understand as well. Students will normally think of a product in terms of its features, and although positioning includes the features, it also spans the concepts of benefits and perceptions. Using examples of brands at opposite ends of a price continuum, such as Rolex versus Timex watches, helps drive home what positioning means.</li> </ul>	
P. 57  PPT 2-28  PPT 2-29	<p><b>Developing an Integrated Marketing Mix</b></p> <p>The <b>marketing mix</b> is the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market. This is described in Figure 2.5.</p> <p><b>Product</b> means the goods-and-services combination the company offers to the target market.</p> <p><b>Price</b> is the amount of money customers pay to obtain the product.</p> <p><b>Place</b> includes company activities that make the product available to target consumers.</p>	P. 57 Key Term: Marketing Mix  P. 58 Figure 2.5: The Four P's of the Marketing Mix

PPT 2-30	<p><b>Promotion</b> means activities that communicate the merits of the product and persuade target customers to buy it.</p> <p>An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering value to consumers.</p> <p>Some critics feel that the <b>4 Ps</b> may omit or underemphasize certain important activities.</p> <p>From the buyer's viewpoint, in this age of customer relationships, the 4 Ps might be better described as the <b>4 Cs</b>:</p> <ul style="list-style-type: none"> <li>• Customer solution,</li> <li>• Customer cost,</li> <li>• Convenience,</li> <li>• Communication.</li> </ul>	
	<p>➤ <b>Assignments, Resources</b></p> <p>Use <a href="#">Additional Project 2</a> here</p> <p>Use <a href="#">Discussing the Concepts 5</a> here</p> <p>Use <a href="#">Real Marketing 2.2</a> here (text pg. 56)</p> <p>Use <a href="#">Discussing the Concepts 5</a> here</p> <p>Use <a href="#">Additional Project 3</a> here</p> <p>Use <a href="#">Think-Pair-Share 2</a> here</p> <p>Use <a href="#">Outside Example 1 and 2</a> here</p>	
P. 59 PPT 2-31	<p><b>MANAGING THE MARKETING EFFORT</b></p> <p>Managing the marketing process requires the four marketing management functions shown in Figure 2.6.</p> <ul style="list-style-type: none"> <li>• Analysis,</li> <li>• Planning,</li> <li>• Implementation,</li> <li>• Control.</li> </ul>	Objective 5  P. 59 Figure 2.6: Managing Marketing
P. 57	<p><b>Marketing Analysis</b></p> <p>Managing the marketing function begins with a complete analysis of the company's situation.</p> <p>The company must analyze its markets and marketing environment to find attractive opportunities and avoid environmental threats.</p>	P. 59 Key Term: SWOT Analysis

PPT 2-32 PPT 2-33	The marketer should conduct a <b>SWOT analysis</b> , by which it evaluates the company's overall strengths, weaknesses, opportunities, and threats.	P. 59 Figure 2.7: SWOT Analysis
	<p>➤ <b>Assignments, Resources</b>            Use <a href="#">Application Question 3</a> here            Use <a href="#">Focusing on Ethics</a> here            Use <a href="#">Focusing on Technology</a> here</p>	
P. 60  PPT 2-34  PPT 2-35	<p><b>Marketing Planning</b></p> <p><b>Marketing planning</b> involves deciding on marketing strategies that will help the company attain its overall strategic objectives.</p> <p>A detailed marketing plan is needed for each business, product, or brand.</p> <p>Table 2.2 outlines the major sections of a typical product or brand plan.</p> <p>A <b>marketing strategy</b> consists of specific strategies: target markets, positioning, the marketing mix, and marketing expenditure levels.</p>	
P. 60  PPT 2-36 PPT 2-37	<p><b>Marketing Implementation</b></p> <p><b>Marketing implementation</b> is the process that turns marketing plans into marketing actions in order to accomplish strategic marketing objectives.</p> <p>Implementation involves day-to-day, month-to-month activities that effectively put the marketing plan to work.</p> <p>Implementation addresses the <b>who, where, when, and how</b>.</p> <p>In an increasingly connected world, people at all levels of the marketing system must work together to implement marketing strategies and plans.</p> <p>Successful marketing implementation depends on how well the company blends its people, organizational structure, decision and reward systems, and company culture into a cohesive action program that supports its strategies.</p>	P. 60 Ad: Michelin  P. 60 Key Term: Marketing Implementation  P. 61 Table 2.2: Contents of a Marketing Plan

P. 61	<p>Finally, to be successfully implemented, the firm's marketing strategies must fit with its company culture – the system of values and beliefs shared by people in the organization.</p> <p><b>Marketing Department Organization</b></p> <p>The company must design a marketing organization that can carry out marketing strategies and plans.</p> <p>The most common form of marketing organization is the <b><i>functional organization</i></b>. Under this organization functional specialists head the various marketing activities.</p> <p>A company that sells across the country or internationally often uses a <b><i>geographic organization</i></b>.</p> <p>Companies with many very different products or brands often create a <b><i>product management organization</i></b>. A <b>product manager</b> develops and implements a complete strategy and marketing program for a specific product or brand.</p> <p>For companies that sell one product line to many different types of markets and customers that have different needs and preferences, a <b><i>market</i></b> or <b><i>customer management organization</i></b> might be best.</p> <p>A market management organization is similar to the product management organization.</p> <p><b>Market managers</b> are responsible for developing marketing strategies and plans for their specific markets or customers.</p> <p>Large companies that produce many different products flowing into many different geographic and customer markets usually employ some combination of the functional, geographic, product, and market organization forms.</p> <p>Many companies are finding that today's marketing environment calls for less focus on products, brands, and territories and more focus on customers and customer relationships.</p>	P. 62 Photo: Marketing Planning and Control
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	<p>More and more companies are shifting their brand management focus toward customer management.</p> <p><b>Marketing Control</b></p> <p><b>Marketing control</b> involves evaluating the results of marketing strategies and plans and taking corrective action to ensure that objectives are attained.</p> <p><b>Operating control</b> involves checking ongoing performance against the annual plan and taking corrective action when necessary. Its purpose is to ensure that the company achieves the sales, profits, and other goals set out in its annual plan.</p> <p><b>Strategic control</b> involves looking at whether the company's basic strategies are well matched to its opportunities.</p> <p>A major tool for such strategic control is a marketing audit. This is a comprehensive, systematic, independent, and periodic examination of a company's environment, objectives, strategies, and activities to determine problem areas and opportunities.</p>	
P. 62  PPT 2-38	<p><b>Measuring and Managing Return on Marketing Investment</b></p> <p>Marketing managers must ensure that their marketing dollars are being well spent.</p> <p>Many companies now view marketing as an investment rather than an expense.</p>	P. 62 Key Term: Marketing Control
P. 63  PPT 2-40	<p>Marketers are developing better measures of <b>return on marketing investment (Marketing ROI)</b> – the net return from a marketing investment divided by the costs of the marketing environment.</p> <p>A company can assess return on marketing in terms of standard marketing performance measures, such as brand awareness, sales, or market share.</p> <p>Some companies are combining such measures into <b>marketing dashboards</b> – useful sets of marketing</p>	P. 63 Key Term: Return on Marketing Investment (Marketing ROI)
		P. 64 Figure 2.8: Return on Marketing Investment

	<p>performance measures in a single display.</p> <p>Increasingly marketers are using customer-centered measures of marketing impact, such as customer acquisition, customer retention, and customer lifetime value.</p>	
<p>➤ <b>Assignments, Resources</b></p> <p>Use <a href="#">Discussing the Concepts: 6</a> here</p> <p>Use <a href="#">Think-Pair-Share 3</a> here</p> <p>Use <a href="#">Marketing by the Numbers</a> here</p> <p>Use <a href="#">Company Case</a> here</p> <p>Use <a href="#">Video Case</a> here</p>		

## END OF CHAPTER MATERIAL

### Discussing the Concepts

1. Explain what is meant by a market-oriented mission statement and discuss the characteristics of effective mission statements.

*Answer:*

A mission statement is a statement of the organization's purpose—what it wants to accomplish in the larger environment. A clear mission statement acts as an “invisible hand” that guides people in the organization. Some companies define their missions myopically in product or technology terms (“we make and sell furniture” or “we are a chemical-processing firm”). But mission statements should be *market oriented* and defined in terms of satisfying basic customer needs. Products and technologies eventually become outdated but basic market needs may last forever. Mission statements should be meaningful and specific yet motivating. They should emphasize the company’s strengths in the marketplace. Too often, mission statements are written for public relations purposes and lack specific, workable guidelines. Finally, a company’s mission should not be stated as making more sales or profits—profits are only a reward for creating value for customers. Instead, the mission should focus on customers and the customer experience the company seeks to create.

2. Define strategic planning and briefly describe the four steps that lead managers and a firm through the strategic planning process. Discuss the role marketing plays in this process.

Strategic planning is the process of developing and maintaining a strategic fit between the organization’s goals and capabilities and its changing marketing opportunities. At the corporate level, the company starts the strategic planning process by defining its overall purpose and mission (see Figure 2.1). This mission then is turned into detailed supporting objectives that guide the whole company. Next, headquarters decides what portfolio of businesses and products is best for the company and how much support to give each one. In turn, each business and product develops detailed marketing and other departmental plans

that support the companywide plan. Marketing planning occurs at the business-unit, product, and market levels. Marketing supports company strategic planning with more detailed plans for specific marketing opportunities.

Marketing plays a key role in the company's strategic planning in several ways: (1) it provides a guiding philosophy—the marketing concept—that suggests that company strategy should revolve around building profitable relationships with important consumer groups; (2) it provides inputs to strategic planners by helping to identify attractive market opportunities and by assessing the firm's potential to take advantage of them; and (3) within individual business units, marketing designs strategies for reaching the unit's objectives.

3. Explain why it is important for all departments of an organization—marketing, accounting, finance, operations management, human resources, and so on—to “think consumer.” Why is it important that even people who are not in marketing understand it?

*Answer:*

Each department is a link in the company's internal *value chain* that carries out value-creating activities to design, produce, market, deliver, and support the firm's products. The firm's success depends not only on how well each department performs its work, but also on how well the various departments coordinate their activities. A company's value chain is only as strong as its weakest link. Success depends on how well each department performs its work of adding customer value and on how well the activities of various departments are coordinated. Ideally then, a company's different functions should work in harmony to produce value for consumers. Every department in an organization should “think consumer” to deliver value for the customer, so it is important for every employee to understand his or her role in creating customer value.

4. Define positioning and explain how it is accomplished. Describe the positioning for the following brands: Wendy's, the Chevy Volt, Amazon.com, Twitter, and Coca-Cola.

*Answer:*

Positioning is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers. Effective positioning begins with differentiation—actually *differentiating* the company's market offering so that it gives consumers more value.

Wendy's positioning is “Quality is our recipe.” The chain offers fresh, made-to-order high-quality food with real ingredients.

Chevy's Volt is “the electric car that is redefining the automotive world.” The Volt is differentiating itself from other electric automobiles, such as Nissan's Leaf, with its gas-powered backup engine so there is no fear of being stranded by a dead battery.

Amazon.com offers “everything from A to Z.” Notice how the logo has an arrow going from the A to the Z in the word Amazon and is in the shape of a smile.

With Twitter, you can “Discover what’s happening right now, anywhere in the world.” You can find out what’s going on in 140 characters or less.

Coca-Cola’s current campaign says it all about the brand’s positioning—“Open happiness.”

5. Define each of the four Ps. What insights might a firm gain by considering the four Cs rather than the four Ps?

*Answer:*

The four Ps of marketing are product, price, place, and promotion. *Product* means the goods-and-services combination the company offers to the target market. *Price* is the amount of money customers have to pay to obtain the product. *Place* includes company activities that make the product available to target consumers. *Promotion* means activities that communicate the merits of the product and persuade target customers to buy it. The four Cs—customer solution, customer cost, convenience, and communication—describe the four Ps from the customer’s viewpoint. By examining products and services using the four Cs, marketers may be better equipped to build customer relationships and offer true value.

6. What is marketing ROI? Why is it difficult to measure?

*Answer:*

**Return on marketing investment** (or marketing ROI) is the net return from a marketing investment divided by the costs of the marketing investment. It is difficult to measure primarily due to lack of a consistent definition of marketing ROI and tools to measure it. In measuring financial ROI, both the *R* and the *I* are uniformly measured in dollars. But measuring marketing benefits such as advertising impact aren’t easily put into dollar returns.

## Application Questions - Applying the Concepts

1. In a small group, conduct a SWOT analysis, develop objectives, and create a marketing strategy for your school, a student organization you might be involved in, or a local business.

*Answer*

Students’ plans will vary, but they should be aware of the elements of a marketing plan. A SWOT analysis evaluates an organization’s overall strengths (S), weaknesses (W), opportunities (O), and threats (T) (see Figure 2.7). Strengths include internal capabilities, resources, and positive situational factors that may help the company or organization to serve its customers and achieve its objectives. Weaknesses include internal limitations and negative situational factors that may interfere with the organization’s performance. Opportunities are

favorable factors, or trends in the external environment that the organization may be able to exploit to its advantage. And threats are unfavorable external factors or trends that may present challenges to performance.

The objective(s) should logically follow conclusions from the SWOT analysis, and the strategy recommended should support the objective(s). The marketing strategy should identify the target market(s), positioning, and the marketing mix.

2. Explain the role of a chief marketing officer (CMO). Summarize an article that describes the importance of this position, the characteristics of an effective CMO, or any issues surrounding this position.

#### *Answers*

The CMO heads up the company's entire marketing operation and represents marketing on the company's top management team. The CMO position puts marketing on equal footing with other C-level executives, such as the Chief Operations Officer (COO) and Chief Financial Officer (CFO).

Students' selection of articles will vary. One issue regarding the CMO position is that the average tenure of a CMO is just over two years, which has created some controversy surrounding this position. An important skill for CMOs is the ability to communicate the financial value of marketing to the others in the executive suite. Some interesting articles are listed below:

Rooney, Jennifer (2010), "For CMOs of the Future, Agility Is Key to Success," *Advertising Age*, (June 21), pp. 4, 31. This article discusses how today's CMO must be able to communicate the financial value of marketing the rest of the C-level suite.

Cata, Carlos (2008), "CMOs Stop Obsessing Over the Tenure Stat," *Advertising Age*, (May 19), p. 40. This article discusses the characteristics of an effective CMO: leadership, trust, intent, and results.

Rooney, Jennifer (2008), "Marty Hamlisch Knows Why CMOs Don't Last," *Advertising Age*, (April 17), pp. 18–19. This article is an interview with the CMO of SAP, Marty Hamlisch. He explains how the role of the CMO is to nurture, grow, and protect the organization's brands.

Kiley, David and Burt Helm (2007), "The Short Life of the Chief Marketing Officer," *BusinessWeek*, (December 12), pp. 63–65. This article discusses the tenure of CMOs and what it takes to be successful.

Court, David (2007), "The Evolving Role of the CMO," *McKinsey Quarterly*, pp. 28–39. This article discusses how the role of the CMO must broaden due to significant changes in the marketplace. The author notes that changing customer needs and behavior are the reasons for this shift in importance of the CMO.

3. Marketers are increasingly held accountable for demonstrating marketing success. Research the various marketing metrics, in addition to those described in the chapter and Appendix 3, used by marketers to measure marketing performance. Write a brief report of your findings.

*Answers*

Students will learn in their research that there are numerous academic and trade articles outlining several marketing metrics. There are several resources on the Internet as well but students need to be aware that marketing metrics encompass all areas of marketing, not just advertising or direct marketing that seem to come up high on search results. A comprehensive source on marketing metrics is Farris et al. (2006), *Marketing Metrics: 50+ Metrics Every Executive Should Master*, Pearson Education: Upper Saddle River, NJ, published as Wharton School Publishing.

## **Focus on Technology**

Did you buy a Google Nexus One smart phone when it hit the market in early 2010? Didn't think so—few people did. That's why Google stopped selling them in the United States and Canada. The phone carried Google's brand and was powered by the Google Android operating system, which was found on other manufacturers' phones.

With the Nexus One, Google made several mistakes. First, in an effort to get products to market faster and make more money through direct sales, Google tried to change the way wireless phones are distributed. Rather than the typical carrier distribution model (buying a phone through Bell, TELUS, or another wireless provider), it used a web-based sales model. The only way to buy a Nexus One was through Google's website. Looking back, notes one executive, Google would probably have sold more phones through the traditional carrier network. To make matters worse, Google invested little in advertising for the Nexus One. And it was ill-equipped to handle customer service queries, attempting at first to handle them through email instead of offering dedicated customer service support. Finally, analysts said that the phone wasn't much better than other Android phones already on the market. No wonder the Nexus One failed. However, although Google discontinued the phone, its Android operating system remains strong, powering 27 percent of all smart phones, ahead of second-place Apple's 23 percent.

1. Name and describe the four product and market expansion grid strategies and explain which strategy Google implemented with the Nexus One.

*Answer*

The four product/market expansion strategies are market penetration, market development, product development, and diversification. Market penetration involves making more sales without changing the original product. This can be achieved through marketing mix improvements, such as adjustments to its product design, advertising, pricing, and distribution efforts. Market development strategy involves identifying and developing new

markets for its current products. New markets could be new geographic markets or other markets defined by demographics, lifestyle, or product use. Management could consider product development by offering modified or new products to current markets. Finally, a company may consider diversification by starting up or buying businesses outside of its current products and markets. In this strategy, the marketer offers an entirely different product to a completely different market than currently served.

Google's expansion into smartphone hardware is a new product offering for the company whose original product is an Internet search engine. Some students might argue that this is a product development strategy because the company offered a new product to current markets (it already serves smartphone users for their search needs). However, others might argue that this is diversification because Google expanded into the telecommunications market, not just Internet search. Which argument is "correct" really depends on how the market is defined.

2. Discuss the marketing strategy and tactical mistakes Google made when introducing the Nexus One.

*Answer*

Google may have overestimated its strength and the opportunities. Although Google is the leader in Internet search software and the Google brand is very strong, it did not have any experience in hardware offerings. Seeing an opportunity in direct sales may have been misguided as most consumers want to walk into a retailer and purchase a phone they can feel and take home right away instead of waiting for it to be delivered. Google also didn't promote the product adequately or provide the level of support necessary for a high-tech product such as a smartphone. Finally, Google did not differentiate the Nexus One from competitive offerings that used its own Android operating system. It appears as if Google assumed that the strength of its brand name would be enough to create product success.

## Focus on Ethics

With 64 percent of the women in North America overweight or obese and less than half participating in regular physical activity, athletic shoe marketers saw an opportunity: "toning shoes." Marketers tout these shoes as revolutionary; you can tone your muscles, lose weight, and improve your posture just by wearing them and going about your daily business. The claims are based on shoemaker-sponsored studies, and the Podiatric Medical Association agrees that toning shoes have some health value. They purportedly perform their magic by destabilizing a person's gait, making leg muscles work harder. Consumers, particularly women, are buying it. Toning shoe sales reached an estimated US\$1.5 billion in 2010. Sketchers saw a 69 percent increase in sales due to its shoe that looks like a rocking chair on the bottom. Reebok expected toning shoe sales to increase tenfold to US\$10 million in 2010. Toning shoes accounted for 20 percent of the women's performance footwear category in 2009, with prices per pair ranging from \$80 to more than \$200.

However, these shoes have their critics, who claim that a shoe that comes with an instruction booklet and an educational DVD to explain proper usage should send up warning flags for consumers. Some doctors claim that the shoes are dangerous, causing strained Achilles tendons or worse; one wearer broke her ankle while wearing them. A study by the American Council on Exercise found no benefit in toning shoes over regular walking or other exercise. Noticeably absent from the toning shoe feeding frenzy is Nike, which thinks it's all hype and is sticking to traditional performance athletic shoes. This leader in the women's shoe market, however, is losing market share to competitors.

1. Should these shoemakers capitalize on consumers who want to be fit without doing the work to achieve that goal? Do you think that basing claims on research sponsored by the company is ethical? Explain your reasoning.

*Answers*

Students' responses will vary. Some students will argue that this is savvy marketing. These companies saw an opportunity and developed a product to satisfy consumers' needs and desires to be fit. This is a product that helps attain that goal in today's fast-paced society. Others will argue that it's hype and deception, leading customers to believe they can magically reap the benefits of exercise without exercising. Students need to be aware that product claims made in advertisements must be substantiated and that advertising claims are often based on a company's own research. However, it sometimes does seem to discredit the research results.

2. Should Nike have entered this product category instead of giving up market share to competitors? Explain your reasoning.

*Answers*

Some students will argue that staying out of this product category is wise for Nike if it truly believes that the claims are bogus. However, others will argue that Nike is making a poor business decision because it is losing share to this product. Nike probably would have been the market leader in this category if it had an offering, so it is not taking advantage of this opportunity.

## Marketing by the Numbers

Appendix 3 discusses other marketing profitability metrics beyond the marketing ROI measure described in this chapter. Below are the profit-and-loss statements for two businesses. Review Appendix 3 and answer the following questions.

Appendix 3, Marketing by the Numbers, discusses other marketing profitability metrics beyond the return on marketing investment (marketing ROI) measure described in this chapter. Below are profit-and-loss statements for two businesses. Review Appendix 3 and answer the questions below.

### **Business A**

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Net Sales	\$800,000,000
Cost of goods sold	<u>375,000,000</u>
Gross Margin	\$425,000,000
Marketing Expenses	
Sales expenses	\$70,000,000
Promotion expenses	<u>30,000,000</u>
	100,000,000
General and Administrative Expenses	
Marketing salaries and expenses	\$10,000,000
Indirect overhead	<u>80,000,000</u>
Net profit before income tax	<u>90,000,000</u>
	\$235,000,000

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### **Business B**

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Net Sales	\$900,000,000
Cost of goods sold	<u>400,000,000</u>
Gross Margin	\$500,000,000
Marketing Expenses	
Sales expenses	\$90,000,000
Promotion expenses	<u>50,000,000</u>
	140,000,000
General and Administrative Expenses	
Marketing salaries and expenses	\$ 20,000,000
Indirect overhead	<u>100,000,000</u>
Net profit before income tax	<u>120,000,000</u>
	\$240,000,000

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1. Calculate marketing return on sales (or marketing ROS) and marketing return on investment (or marketing ROI) for both companies as described in Appendix 2.

*Answer:*

To calculate these metrics, students must first calculate net marketing contribution (NMC), which measures marketing profitability and includes only components of profitability that are controlled by marketing. It is calculated as:

$$\text{NMC} = \text{net sales} - \text{cost of goods sold} - \text{marketing expenses}$$

where,

marketing expenses = selling expenses + promotion expenses + marketing salaries and expenses

so,

$$\text{NMC}_A = \$800,000,000 - \$375,000,000 - \$110,000,000 = \$315,000,000$$

$$\text{NMC}_B = \$900,000,000 - \$400,000,000 - \$160,000,000 = \$340,000,000$$

$$\text{Marketing ROS}_A = \frac{\text{net marketing contribution}}{\text{net sales}} = \frac{\$315,000,000}{\$800,000,000} = 0.394 = 39.4\%$$

$$\text{Marketing ROS}_B = \frac{\text{net marketing contribution}}{\text{net sales}} = \frac{\$340,000,000}{\$900,000,000} = 0.377 = 37.7\%$$

$$\text{Marketing ROI}_A = \frac{\text{net marketing contribution}}{\text{marketing expenses}} = \frac{\$315,000,000}{\$110,000,000} = 2.86 = 286\%$$

$$\text{Marketing ROI}_B = \frac{\text{net marketing contribution}}{\text{marketing expenses}} = \frac{\$340,000,000}{\$160,000,000} = 2.12 = 212\%$$

2. Which company is doing better overall and with respect to marketing? Explain.

*Answer:*

Overall, Company B is more profitable with \$240 million in profits. Although Company B has a higher net marketing contribution (\$340 million) than Company A (\$315 million), it

has a lower return on sales (37.7% versus 39.4% for A). Thus, Company A's marketing activities are more efficient in generating sales. Company A also has a higher marketing return on investment (286% versus 212%). Company A is less profitable because of the high indirect overhead costs, which is not considered in the marketing metrics because they are out of the marketer's control, but it is performing better with respect to marketing.

## Company Case Notes

### Trap-Ease America: The Big Cheese of Mousetraps

#### Synopsis

A group of investors has purchased from an inventor the U.S. rights to sell a patented, innovative mousetrap. The group has hired Martha House to manage the company that includes assuming responsibility for sales and marketing. This case provides details of the marketing strategy employed by Ms. House.

Despite the innovativeness of the mousetrap and its success at gaining public attention, sales are disappointingly slow. Martha finds herself wondering why the world is not beating a path to her door, as Ralph Waldo Emerson would have predicted.

#### Teaching Objectives

This case was selected to accompany Chapter 2 because it does an excellent job of introducing the student to the concepts of the mission of the firm and the elements of a marketing strategy in a simple but rich case. The teaching objectives for this case are to:

1. Introduce the idea of a firm's "mission."
2. Introduce the basic elements of a marketing strategy.
3. Drive home the point that customers seldom beat a path to a firm's door.

#### Discussion Questions

1. Martha and the Trap-Ease America Investors believe they face a one-in-a-lifetime opportunity. What information do they need to evaluate this opportunity? How do you think the group would write its mission statement? How would you write it?

*The case paints a very typical picture of a group of businesspeople who believe they have an outstanding product that will be readily accepted by the market. There is little evidence in the case that the investors have done any real thinking about customer needs or have followed the marketing concept as it is introduced in the chapter. The investors believe they have a mousetrap, which will satisfy customer needs, and, therefore, customers will buy it. Students need to realize that even though a firm may have an excellent product it needs to understand customers' needs and how they respond to those needs. There is no indication in the case that the investor group has any marketing information about its potential customers or has done any real marketing research. The*

*investors would need to know the size of the mousetrap market in the United States. Who buys mousetraps? What kinds do they buy? What prices are charged for the various kinds of mousetraps? How are these mousetraps sold to consumers? What customer needs do existing mousetraps solve, and which needs do they fail to solve adequately? How do consumers deal with their mice and rat problems? Answers to these and other “marketing research” types of questions would give the investors a better feel for the challenges facing them in marketing the mousetrap.*

*Like many new, small businesses, however, the investors would write a mission statement that focused on making money for themselves. Their statement might be, “Make a lot of money by selling a patented mousetrap.” Discussing this with the class will allow the instructor to raise the oft-repeated slogan, “maximize shareholder wealth.” Proponents of the marketing concept might well argue that making money is not the goal of the firm. Rather, if one follows the marketing concept, the goal of the firm must be first to satisfy the firm’s customers and to do that better than the competition. Only then does a firm have the opportunity to “make money.” So students should suggest that if they were to write the mission statement, it would be more customer focused and identify how their product meets the needs and wants of their customers.*

2. Has Martha identified the best target market for Trap-Ease? What other market segments might the firm target?

*The case indicates that Trap-Ease is targeting housewives, and implies that housewives are reluctant to set and bait traditional spring-loaded mousetraps. They also are concerned about the safety of children and pets that may be around the home because once the spring-loaded trap has caught a mouse, one often has a mess resulting from its action. Besides being unpleasant, the mess presents health concerns due to the diseases that may be carried by mice.*

*There are a number of other market segments that the firm could target. The issue of disease control suggests several other potential targets. First, the instructor might ask students where disease control concerns would be important. Any business that handles or stores food and, therefore, is attractive to rats and mice would be a potential target. Restaurants should come to mind here, both because of the presence of food and food products and also because these establishments cannot use chemicals near food. This also should suggest food wholesalers or warehouses where large quantities of food may be stored in the channel of distribution. Food manufacturers also need rodent protection.*

*Another potential market is research laboratories. Here, researchers use large numbers of mice in research projects. It is not unreasonable to think that some of these mice occasionally get loose. A researcher would be interested in the ability to recapture a mouse without harming it—something that the researcher would be able to do with the Trap-Ease.*

*Another potential target market is exterminators. Because they must work in areas where chemicals would not be allowed and traditional traps would have the same messiness problem, these companies might be a target market. These exterminator companies might*

*also sell the traps directly to consumers with whom they deal. This possibility will allow the instructor to talk about channels of distribution and the impact of Trap-Ease's decision to go directly to the end customer.*

3. How has the company positioned the Trap-Ease for the chosen target market? Could it position the product in other ways?

*As suggested in the answer to question 2, Trap-Ease has been positioned from the point of view of the customer as meeting safety and cleanliness needs. Because of its pricing and distribution, Trap-Ease is positioned for use by the individual homeowner who has these concerns.*

*The major alternative positioning for the product focuses on its ability to control disease. Because the mouse would be trapped in a fully enclosed device and would be captured live, there is little opportunity for disease to spread as a result of its capture. It should be noted, however, that positioning the product this way would make substantial differences in the entire marketing strategy. This allows the instructor to make the point that will be reinforced throughout the semester that the full marketing mix must be coordinated to position the product properly in the customer's mind.*

4. Describe the current What marketing mix for Trap-Ease. Do you see any problems with this mix?

In summary, Trap-Ease's marketing mix is as follows:

*Product: As noted above, Trap-Ease is a patented mousetrap that is designed to allow consumers to avoid the safety and cleanliness problems associated with traditional mousetraps.*

*Perhaps by this time in the discussion someone will have already suggested one of the obvious problems with this product. That is, what does one do with a live mouse caught inside the trap? The inventor had designed the product to capture the mouse alive and to suffocate it over a period of several hours. This, however, presents a problem for the user. If the consumer discovers the trap has worked, she must pick up a trap containing a live mouse that may be squirming and squealing. Then, what does the consumer do with the mouse? It might be flushed down the toilet or let out in the woods, if one lives near woods. We might wonder, however, if the target market, housewives, will be comfortable carrying the trap containing the live mouse and then opening the door to let it out. Later market research revealed that few people felt comfortable in this situation.*

*On the other hand, if the consumer allows the mouse to simply suffocate in the trap, he will find that mice, like most animals, do not die quietly. You can imagine the trap bouncing around under a sink like a large Mexican jumping bean as the mouse tries to free itself. Experience indicated that the mouse also made a lot of noise prior to suffocating. The targeted housewife may find herself presented with the dilemma of how to handle a live mouse or how to put up with the noise and unpleasantness of its suffocating. Thus, although the trap works well to catch a mouse, it fails to deal with the problem of what does one do with the mouse.*

*Price: The price of approximately \$1.25 per trap, when sold in packages of two, also creates a problem in that it is five to 10 times more expensive than traditional traps. This problem is complicated by the fact that if consumers have significant mouse problems, they would need a number of traps to address the problem. Or, if they decide to simply throw away traps that contain mice to solve the disposal problem, the cost could again become prohibitive.*

*Place: Martha House has made the decision to distribute the products directly to national chains. Although on one hand this decision makes sense given the company's desire to achieve rapid sales growth, it creates problems for the company due to its small size. As noted in the example, which concludes the case, the company does not have its own truck and distribution facilities. It must depend on outside firms to deliver its product. Because national chains have very strict time schedules, this makes it difficult for Trap-Ease to control its distribution.*

*Promotion: Trap-Ease is relying basically on appearances at trade shows and some limited advertising. In fact, it is relying on word-of-mouth. Primarily, the firm depends on point-of-purchase displays to sell its product. One might wonder, however, how quickly consumers passing point-of-purchase displays for the product will understand it. Further, the firm is dependent on whatever advertising the chains may do to generate end-customer awareness. Even early in the semester, students should understand that generating such awareness is extremely expensive and difficult. It is not clear that Trap-Ease has adequate resources to do significant advertising aimed at end customers, and it is not clear that the chains will devote sufficient resources to advertising the product.*

*All of these marketing mix problems should suggest that Trap-Ease has a number of significant hurdles to address if it is going to improve its performance.*

5. Who is Trap-Ease's competition?

*Even though Trap-Ease has a patent on its mousetrap, it does have competition. Students may tend to think that a patent protects a firm from competition. Obviously, the traditional, spring-loaded trap is competition. Although the Trap-Ease trap has significant advantages, its price means that for many low-income consumers who probably have more mice problems, Trap-Ease is too expensive. Consumers who have better incomes and who may not be excited about dealing with dead or live mice will probably simply turn to exterminators to take care of their problems. Although exterminators are more expensive, the benefits of having someone else take care of this unpleasant problem will be attractive to many consumers. Thus, Trap-Ease finds itself with competition both above and below its relative price. This competition significantly reduces the size of the target market.*

6. How would you change Trap-Ease's marketing strategy? What kinds of control procedures would you establish in connection with this strategy?

*There are, of course, numerous possibilities that students might suggest. Many students will focus on trying to make specific changes to elements of the established marketing mix. For example, some students may suggest that by lowering price the Trap-Ease will become more competitive with traditional traps and be more attractive to consumers. Any attempt to manipulate the existing marketing mix, however, allows the instructor to make the point that the marketing mix should flow from the target market. At this time, having discussed previous questions, it should be clear to students that there is some question about the size and viability of the selected target market. In fact, there may not be a real market given the product's positioning—at least not a market that is big enough to support the firm and reach the investor's goals.*

*To revise the firm's marketing strategy, the firm needs to begin by thinking about its target market selection. First, the student could suggest that the product has been positioned improperly. Although health and cleanliness concerns are of interest to consumers, the other aspects of the marketing mix make the product unattractive. The disease control aspects of the product, however, are important. It would be possible to reposition the product for disease control purposes and to select the industrial/institutional target market. Thus, the target market would become food manufacturers, wholesalers, and others who store quantities of food that are subject to rat infestation and also restaurants and other institutions, where food may be handled and where poisons and other rat control measures are inappropriate.*

*With respect to the marketing for this new target market, the firm needs to develop larger sizes of the trap. Some of the potential customers will have larger rats with which to deal. These firms will often have maintenance employees who will not be squeamish about dealing with and disposing of rats that are caught in such traps.*

*With respect to price for this new strategy, there is really no information in the case to allow the instructor to figure what the price might be. We can imagine that, in connection with the place decision, the firm might decide to deal directly with larger exterminating companies or food wholesaling chains. The company will probably find itself in a negotiation situation as it has with the large retail chains. This will make it important that the firm understand its costs and be able to figure what prices it can agree to that will allow it to make an adequate profit.*

*With respect to place, the firm will be required to continue to sell to a limited number of customers due to the lack of any real sales force. This would imply that it will have to sell to food wholesalers or exterminating companies themselves unless it can find a distributor who caters to these kinds of operations. Looking for distributors who could handle some or all of the sales effort would be appropriate given the firm's limited resources. This may put additional pressures on margins, but the firm will have to evaluate accepting smaller margins versus absorbing the cost of improving its own distribution system.*

*The new strategy would continue to imply a trade promotion strategy. Appearing at trade shows for food wholesalers or exterminators would be a first step, and one with which the*

*firm is familiar. This strategy avoids the necessity for having to pursue expensive media options for developing end-customer retail demand. Advertising in trade magazines should help bring the product to the attention of targeted customers. Further, if the firm is successful in selling to exterminators, they will become its sales force.*

*As to control procedures, the process of revising the marketing strategy allows one to ask the students how they will monitor their progress. In the case, Martha has no connection with the end-customer. She is dealing with buyers for the large retail chains. She is not sure who is buying the mousetrap or why or how they are using it. A first control procedure for any strategy then is to identify the target market and establish mechanisms to monitor the target's use of and satisfaction with the product. Chapter 4, Managing Marketing Information, will introduce students to techniques, which might be used by Trap-Ease to evaluate the success of the strategy.*

### **Teaching Suggestions**

This case is an excellent early case because it deals with a product and a need with which students are familiar. Further, as the discussion unfolds, students will have little trouble spotting some of the marketing problems and marketing concerns that the firm faces. Although cases can sometimes intimidate students early in the semester, this case should begin to give them some confidence that they can deal successfully with a marketing situation even though they do not have a lot of experience.

If instructors are interested in any field research, they might ask a group of students to check local retail and hardware stores to see what devices and methods are available for helping people deal with their mice and rat problems.

If instructors do not use this case at this point in the text, it may be used in connection with the marketing research chapter (Chapter 4), the consumer behavior chapter (Chapter 5), the segmentation chapter (Chapter 7), and the new product chapter (Chapter 9).

## **ADDITIONAL PROJECTS, ASSIGNMENTS, AND EXAMPLES**

### **Projects**

1. Pick a company or brand from which you buy frequently. Visit their Web site and find the portfolio of products/services they sell. Pretend you are the company CEO. Categorize the products into logical groupings that will become your strategic business units (SBUs). Using your best judgment, allocate resources, using percentages, not dollar amounts, to each SBU (make sure the total comes to 100 percent). (Objective 2)
2. Visit the Web site for Food Television's Rachel Ray (<http://www.rachaelray.com/>). Consider the market for television cooking programs. Who do you believe Rachel Ray is targeting? How is this "product" differentiated in the marketplace? (Objective 4)

3. Get the current issue of *Fortune* magazine; most university libraries carry it. Read the cover story and define the 4 Ps of one of the company's products mentioned. Then define the 4 Cs of the same product. Are there differences? (Objective 4)

## Small Group Assignments

1. Form students into groups of three to five. Each group should read the opening vignette to the chapter on NASCAR. Each group should answer the following questions and then share their findings with the class. (Objective 1)
  - a. Describe NASCAR's secret for their incredible growth.
  - b. Discuss NASCAR's multi-avenue promotions used to deliver the NASCAR experience.
  - c. A big part of the NASCAR experience is the feeling that the sport, itself, is personally accessible. How does NASCAR accomplish this?
2. Form students into groups of three to five. Each group should read Real Marketing 2.1 "McDonald's: On a customer-Focused Mission." Each group should then answer the following questions and share their findings with the class. (Objective 2)
  - a. Describe McDonald's major products through the use of the BCG matrix.
  - b. Using the Product/Market Expansion Grid, shown in Figure 2.3, identify potential growth opportunities for McDonald's.
  - c. What competitive strategies have been developed by McDonald's to combat companies as such Star Bucks?

## Individual Assignments

1. Read the opening chapter vignette on NIKE. Think about the answers to the following questions and share those answer with the class. (Objectives 1 & 4)
  - a. What form of media do you believe NIKE is not using to its fullest potential? Why?
  - b. Describe NIKE's strong customer-driven marketing programs.
2. How would you describe a "market niche?" Describe four product/services that you own or consume that you would consider to be "niche" products. Why do you believe this to be true? (Objective 2)

## Think-Pair-Share

Consider the following questions, formulate and answer, pair with the student on your right, share your thoughts with one another, and respond to questions from the instructor.

1. Compare the Boston Consulting Group's portfolio analysis method to the product/market expansion grid. Which method would you rather use in your own business? Why? (Objective 2)

2. Why would a focus on the 4 Cs be more important than the 4 Ps? What is a value-delivery network? How does this concept differ from that of the value chain? (Objective 4)
3. Explain the concept of return on marketing. Why is this important? (Objective 5)

## Outside Examples

1. The marketing mix is the set of controllable, tactical marketing tools the firm blends to product the responses it wants from the target market. These marketing tools can all be collected into four sets of variables known as the “four Ps.” Consider Southwest Airlines ([www.southwest.com](http://www.southwest.com)). Briefly describe the “four Ps” employed by Southwest. (Objective 4)

**Possible Solution.** The product being offered, in the case of Southwest Airlines, is transportation. Just because it is not a physical entity does not mean it is not a product. Price is the amount of money customers pay in order to receive the product. In the case of airlines, this price is very volatile and changes frequently based on availability, time from departure, and myriad other variables. Place involves everything that Southwest does to make its product available to the consumer. Not only the airports, but also the ticket counters and self-service kiosks. Finally, promotion is everything involved in communicating Southwest to the customer. This includes traditional television and billboard advertising. This also includes their easy to navigate website and their enthusiastic employees.

2. The marketing mix is composed of the “four Ps.” Take a look at Continental Airlines ([www.continental.com](http://www.continental.com)). Let’s concentrate on the P of Pricing. Over a two-week period, track the fares charged for a roundtrip ticket between two of your favorite locations (such as Las Vegas and Houston). Be certain to keep your departure and return dates constant so that you can observe how fares change over time. How can you explain the constant variation in fares? (Objective 4)

**Possible Solution.** Students will observe that there are wildly varying and constantly changing fares over time. Students may come up with a variety of reasons for fare differences: time of day; first versus coach class; popularity of the route; or time until departure are all possibilities. In essence, students will realize that there are a multitude of possibilities to consider when setting price.

## Web Resources

1. <http://www.nike.ca/>  
Nike’s electronic home.
2. <http://www.coldstonecreamery.com/>  
Here students can find information about Cold Stone Creamery and their mission statement.

Chapter 2: Company and Marketing Strategy: Partnering to Build Customer Relationships

3. [http://www.valuebasedmanagement.net/methods\\_bcgmatrix.html](http://www.valuebasedmanagement.net/methods_bcgmatrix.html)  
This link provides a good and easy to understand discussion of the BCG Matrix.
4. [http://www.managementhelp.org/plan\\_dec/str\\_plan/str\\_plan.htm](http://www.managementhelp.org/plan_dec/str_plan/str_plan.htm)  
This link is a useful tool to further understand the basics of strategic planning in for-profit and not-for-profit organizations.
5. <http://disney.go.com/index>  
Here you will find information about Disney's business portfolio.
6. <http://disney.go.com/index>  
Here you will find information about Disney's business portfolio.