

CHAPTER 2 Strategic Planning for Competitive Advantage

This chapter begins with the learning outcome summaries, followed by a set of lesson plans for you to use to deliver the content in Chapter 2.

- Lecture (for large sections) on page 4
- Company Clips (video) on page 6
- Group Work (for smaller sections) on page 8

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- ✓ Review questions
- ✓ Application questions
- ✓ Application exercise
- ✓ Ethics exercise
- ✓ Video assignment
- ✓ Case assignment

Great Ideas for Teaching Marketing from faculty around the country begin on page 20

LEARNING OUTCOMES

1 Understand the importance of strategic planning

Strategic planning is the basis for all marketing strategies and decisions. These decisions affect the allocation of resources and ultimately the financial success of the company.

2 Define strategic business units (SBUs)

Each SBU should have these characteristics: a distinct mission and a specific target market; control over resources; its own competitors; a single business; plans independent from other SBUs in the organization. Each SBU has its own rate of return on investment, growth potential, and associated risks, and requires its own strategies and funding.

3 Identify strategic alternatives and know a basic outline for a marketing plan

Ansoff's opportunity matrix presents four options to help management develop strategic alternatives: market penetration, market development, product development, and diversification. In selecting a strategic alternative, managers may use a portfolio matrix, which classifies strategic business units as stars, cash cows, problem children (or question marks), and dogs, depending on their present or projected growth and market share. Alternatively, the GE model suggests that companies determine strategic alternatives based on the comparisons between business position and market attractiveness.

A marketing plan should define the business mission, perform a situation analysis, define objectives, delineate a target market, and establish components of the marketing mix. Other elements that may be included in a plan are budgets, implementation timetables, required marketing research efforts, or elements of advanced strategic planning.

4 Develop an appropriate business mission statement

The firm's mission statement establishes boundaries for all subsequent decisions, objectives, and strategies. A mission statement should focus on the market(s) the organization is attempting to serve rather than on the good or service offered.

5 Describe the components of a situation analysis

In the situation (or SWOT) analysis, the firm should identify its internal strengths (S) and weaknesses (W) and also examine external opportunities (O) and threats (T). When examining external opportunities and threats, marketing managers must analyze aspects of the marketing environment in a process called environmental scanning. The six macroenvironmental forces studied most often are social, demographic, economic, technological, political and legal, and competitive.

6 Identify sources of competitive advantage

There are three types of competitive advantage: cost, product/service differentiation, and niche. Sources of cost competitive advantage include experience curves, efficient labor, no frills goods and services, government subsidies, product design, reengineering, production innovations, and new methods of service delivery. A product/service differentiation competitive advantage exists when a firm provides something unique that is valuable to buyers beyond just low price. Niche competitive advantages come from targeting unique segments with specific needs and wants. The goal of all these sources of competitive advantage is to be sustainable.

7 Explain the criteria for stating good marketing objectives

Objectives should be realistic, measurable, time specific, and compared to a benchmark. They must also be consistent and indicate the priorities of the organization. Good marketing objectives communicate marketing management philosophies, provide management direction, motivate employees, force executives to think clearly, and form a basis for control.

8 Discuss target market strategies

Targeting markets begins with a market opportunity analysis, or MOA, which describes and estimates the size and sales potential of market segments that are of interest to the firm. In addition, an assessment of key competitors in these market segments is performed. After the market segments are described, one or more may be targeted by the firm.

9 Describe the elements of the marketing mix

The marketing mix is a blend of product, place, promotion, and pricing strategies (the four Ps) designed to produce mutually satisfying exchanges with a target market. The starting point of the marketing mix is the product offering—tangible goods, ideas, or services. Place (distribution) strategies are concerned with making products available when and where customers want them. Promotion includes advertising, public relations, sales promotion, and personal selling. Price is what a buyer must give up in order to obtain a product and is often the most flexible of the four marketing mix elements.

10 Explain why implementation, evaluation, and control of the marketing plan are necessary

Before a marketing plan can work, it must be implemented—that is, people must perform the actions in the plan. The plan should also be evaluated to see if it has achieved its objectives. Poor implementation can be a major factor in a plan's failure, but working to gain acceptance can be accomplished with task forces. Once implemented, one major aspect of control is the marketing audit, and ultimately continuing to apply what the audit uncovered through postaudit tasks.

11 Identify several techniques that help make strategic planning effective

First, management must realize that strategic planning is an ongoing process and not a once-a-year exercise. Second, good strategic planning involves a high level of creativity. The last requirement is top management's support and participation.

TERMS

cash cow	market development	niche competitive advantage
competitive advantage	market opportunity analysis (MOA)	planning
control	market penetration	portfolio matrix
cost competitive advantage	marketing audit	problem child (question mark)
diversification	marketing mix	product development
dog	marketing myopia	product/service differentiation
environmental scanning	marketing objective	competitive advantage
evaluation	marketing plan	star
experience curves	marketing planning	strategic business unit (SBU)
four Ps	marketing strategy	strategic planning
implementation	mission statement	sustainable competitive advantage
		SWOT analysis

LESSON PLAN FOR LECTURE

Brief Outline and Suggested PowerPoint Slides:

<i>Learning Outcomes and Topics</i>	<i>PowerPoint Slides</i>
1 Understand the importance of strategic planning 1.1 The Nature of Strategic Planning	1: Strategic Planning for Competitive Advantage 2: Learning Outcomes 3: Learning Outcomes 4: The Nature of Strategic Planning 5: Strategic Marketing Management 6: Strategic Planning
2 Define strategic business units (SBUs) 2.1 Strategic Business Units	7: Strategic Business Units (SBUs) 8: Characteristics of Strategic Business Units
3 Identify strategic alternatives and know a basic outline for a marketing plan 3.1 Strategic Alternatives	9: Strategic Alternatives 10: Ansoff's Opportunity Matrix 11: Exh 2.1 Ansoff's Strategic Opportunity Matrix 12: Boston Consulting Group Portfolio Matrix 13: Exh 2.2 Portfolio Matrix for Large Computer Manufacturer 14: Portfolio Matrix Strategies 15: Exh 2.3, General Electric Model 16: What is a Marketing Plan? 17: Why Write a Marketing Plan? 18: Exh 2.4 Elements of a Marketing Plan 19: Marketing Plan Elements 20: Writing the Marketing Plan
4 Develop an appropriate business mission statement 4.1 Defining the Business Mission	21: Defining the Business Mission 22: Defining the Business Mission
5 Describe the components of a situation analysis 5.1 Conducting a Situation Analysis	23: Conducting a Situation Analysis 24: SWOT Analysis 25: Components of a SWOT Analysis 26: Environmental Scanning 27: Opportunities in Education
6 Identify sources of competitive advantage 6.1 Competitive Advantage	28: Competitive Advantage 29: Competitive Advantage 30: Cost Competitive Advantage 31: Sources of Cost Reduction 32: Examples of Product/Service Differentiation 33: Niche Competitive Advantage 34: Building Sustainable Competitive Advantage 35: Sources of Sustainable Competitive Advantage
7 Explain the criteria for stating good marketing objectives 7.1 Setting Marketing Plan Objectives	36: Setting Marketing Plan Objectives 37: Marketing Objectives 38: Criteria for Good Marketing Objectives
8 Discuss target market strategies 8.1 Describing the Target Market	39: Describing the Target Market 40: Describing the Target Market 41: Target Market Strategy 42: Target Market Strategy

9 Describe the elements of the marketing mix 9.1 The Marketing Mix	43: The Marketing Mix 44: The Marketing Mix is... 45: Marketing Mix: The “Four Ps” 46: Marketing Mix: The “Four Ps” 47: Marketing Mix: The “Four Ps” 48: Marketing Mix: The “Four Ps” 49: Whole Foods Changes Its Pricing Strategy
10 Explain why implementation, evaluation, and control of the marketing plan are necessary 10.1 Following Up on the Marketing Plan	50: Following Up the Marketing Plan 51: Following Up the Marketing Plan
11 Identify several techniques that help make strategic planning effective 11.1 Effective Strategic Planning	52: Effective Strategic Planning 53: Techniques for Effective Strategic Planning 54: Chapter 2 Videos

Suggested Homework:

- The end of this chapter contains assignments on the [Recycline video](#) and the [Disney case](#).
- The end of each chapter contains numerous questions that can be assigned or used as the basis for longer investigations into marketing.

LESSON PLANS FOR VIDEO

Company Clips

Segment Summary: **Recycline**

CA Webb discusses Recycline’s strategic decisions that help the company have a sustainable competitive advantage—giving customers sustainable, environmentally friendly products without sacrificing any features of the traditional product. CA Webb also discusses her use of SWOT, and how it helps Recycline make strong choices for the new brand.

These teaching notes combine activities that you can assign students to prepare before class, that you can do in class before watching the video, that you can do in class while watching the video, and that you can assign students to complete as assignments after watching the video.

During the viewing portion of the teaching notes, stop the video periodically where appropriate to ask students the questions or perform the activities listed on the grid. You may even want to give the students the questions before starting the video and have them think about the answer while viewing the segment. That way, students will be engaged in active rather than passive viewing.

PRE-CLASS PREP FOR YOU: <ul style="list-style-type: none"> • Preview the Company Clips video segment for Chapter 2. This exercise reviews concepts for LO1, LO6, LO9, and LO10. • Review your lesson plan. • Make sure you have all of the equipment needed to show the video to the class, including the DVD and a way to project the video. 	PRE-CLASS PREP FOR YOUR STUDENTS: <ul style="list-style-type: none"> • Have students familiarize themselves with the following terms and concepts: <i>competitive advantage</i>, <i>marketing mix</i>, <i>target market strategy</i>, <i>mission statement</i>, <i>product/service differentiation</i>, <i>strategic planning</i>, and <i>sustainable competitive advantage</i>. • Review the Recycline Web site with those concepts in mind: http://www.recycline.com.
VIDEO REVIEW EXERCISE	
ACTIVITY	

Warm Up	Begin by asking students “What is the goal of strategic planning?” [on the board, write “long-term profitability and growth”]
In-class Preview	<ul style="list-style-type: none"> • Segue into a discussion of the elements that make up a <i>marketing plan</i>. Copy Exhibit 2.4 onto the board. Briefly explain each of the elements as you write them if students have not become familiar with them from previous reading. • Remind students to keep the marketing plan elements in mind as they review the video. • Compare the concepts of market strategy and market mix. Ask students to predict Recycline’s target market strategy from what they learned in the first video.
Viewing <i>(solutions below)</i>	<ol style="list-style-type: none"> 1. Based on what you heard in the video, what was Recycline’s marketing objective? 2. Describe an element that makes up Recycline’s competitive advantage. Is it sustainable? 3. In the video, Webb says she worries that the new creative aspects of Recycline’s marketing strategy may be no better than the old ones. Since the marketing plan has been implemented; what should be her next steps? 4. What drives Recycline’s market strategy and which element(s) of the marketing mix does it rely upon?
Follow-up	<ul style="list-style-type: none"> • Send students back to Recycline’s Web site at http://www.recycline.com. Have students write a brief paragraph about how Recycline’s Web site identifies its target market segment. • Have students break into groups of up to four students and have each group write a mission statement for Recycline. When students finish, discuss how the mission statement supports Recycline’s marketing plan. • Ask “How can Recycline sustain its competitive advantage?” The question can be discussed by the class as a whole, within the small groups with professor supervision, or assigned as an out-of-class exercise.

Solutions for Viewing Activities:

1. Based on what you heard in the video, what was Recycline’s marketing objective?

After spending the past year studying their brand, Recycline began preparing it for an increasingly sophisticated green consumer.

2. Describe an element that makes up Recycline’s competitive advantage. Is it sustainable?

The element that contributes to Recycline’s competitive advantage is their use of recycled materials to create new products—a unique aspect of their company that gives them a sustainable competitive advantage, because what it offers is different from products made by other companies.

3. In the video, Webb says she worries that the new creative aspects of Recycline’s marketing strategy may be no better than the old ones. Since the marketing plan has been implemented; what should be her next steps?.

Webb’s next steps should be evaluation, to see if it has achieved its marketing objective, and then establish control through the use of a marketing audit, which periodically evaluates the objectives, strategies, structure, and performance of the marketing organization.

4. What drives Recycline’s market strategy and which element(s) of the marketing mix does it rely upon?

Recycline’s market strategy is currently driven by the fact that they are in a “hot space” right now, with the media interested in telling their story; by pursuing this strategy, Recycline is dependent on *promotion*.

LESSON PLAN FOR GROUP WORK

In most cases, group activities should be completed after some chapter content has been covered, probably in the second or third session of the chapter coverage. (See the “Lesson Plan for Lecture” above.) For the “Class Activity: Marketing Strategy Analysis,” divide the class into small groups of four or five people and provide the information and the questions asked by the class activity, as described later in this chapter.

Class Activity – Marketing Strategy Analysis

In this exercise, students are asked to brainstorm with you, using an overhead projector or blackboard. Let the students select several high-profile goods and services. Then get the class to help analyze the marketing strategy by answering the following questions.

1. What is the product?
2. Who is the target market?
3. On what criteria is this market segmented?
4. What demographic factors affected the choice of this target?
5. What is the price strategy? Promotion strategy? Distribution strategy?
6. How is the product packaged? Why?
7. Who is the direct competition? Indirect competition? Which firms would be appropriate benchmarks for this firm? What competitive advantage does this product have?
8. How are environmental factors affecting the marketing of this product? Consider social, demographic, legal, political, economic, technological, and competitive factors.
9. Is the purchase of this product affected by psychological or social needs? Situational factors?
10. Is the marketer attempting market penetration? Market development? Product development? Diversification?
11. Does this company appear to have a total quality management orientation? What is its reputation on overall quality when compared to the competition?
12. Is this firm known for being responsive to customers? Brainstorm a list of adjectives that describe this firm and its products. How does this list fit with the concept of value?

REVIEW QUESTIONS

1. **Your cousin wants to start his own business, and he is in a hurry. He has decided not to write a marketing plan because he thinks that preparing such a document would take too long. He says he doesn't need a formal proposal because he has already received funding from your uncle. Explain why it is important for him to write a plan anyway.**

Strategic marketing planning is the basis for all marketing strategies and decisions. The marketing plan is a written document that acts as a guidebook of marketing activities for the marketing manager. By specifying objectives and defining the actions required to attain them, a marketing plan provides the basis on which actual and expected performance can be compared. Even when in a hurry, one can construct a brief marketing plan to help guide thinking and serve as a framework for future activities.

2. **After graduation, you decide to take a position as the marketing manager for a small snack-food manufacturer. The company, Shur Snak, is growing, and this is the first time that the company has ever employed a marketing manager. As such, there is no marketing plan in place for you to follow. Outline a basic marketing plan for your boss to give her an idea of the direction you want to take the company.**

The marketing plan should contain the following sections:

- a. Business mission statement
 - b. Objectives
 - c. Situation analysis
 - d. Internal strengths and weaknesses
 - e. External environmental opportunities and threats
 - f. Target market(s)
 - g. Marketing mix
 - h. Product/service strategies
 - i. Place/Distribution strategies
 - j. Promotion strategies
 - k. Pricing strategies
 - l. Implementation, evaluation, and control
3. **You are given the task of deciding the marketing strategy for a transportation company. How do the marketing mix elements change when the target market is (a) low-income workers without personal transportation, (b) corporate international business travelers, or (c) companies with urgent documents or perishable materials to get to customers?**

Target Market: Low-income workers without personal transportation

Product: Bus or light rail service

Price: Inexpensive or free

Place: Inner city

Promotion: Billboards

Target Market: Corporate international business travelers

Product: High-speed jet service with laptop and telephone hookups, conference tables

Price: High

Place: International airports in densely populated business centers around the world

Promotion: Corporate print publications, direct mail

Target Market: Companies with urgent documents or perishable materials to get to customers
Product: High-speed motor carrier coupled with plane service, courier service, pickup and delivery
Price: Medium to high
Place: Downtown businesses around the country
Promotion: Television, radio

4. What techniques can make your school enrollment marketing plan more effective?

The effectiveness of the plan depends on the following factors: 1) how realistic the plan is (objectives, scope, and timing of the events), 2) the resources available to implement the plan, 3) how thorough the situation analysis is, 4) how broad the mission statement is, 5) how detailed and thorough the marketing mix variables are, and 6) the soundness of the strategies (does the plan provide an opportunity to use competitive advantage?).

APPLICATION QUESTIONS

1. How are Coke and Pepsi using their Web sites, <http://www.coke.com> and <http://www.pepsi.com>, to promote their newest product offerings? Do you see hints of any future strategies the companies might implement? Where?

Answers will vary.

2. How can a new company best define its business mission statement? Can you find examples of good and bad mission statements on the Internet? How might you improve the bad ones?

The mission statement is based on a careful analysis of benefits sought by present and potential customers and analysis of existing and anticipated environmental conditions. The firm's long-term vision, embodied in the mission statement, establishes boundaries for all subsequent decisions, objectives, and strategies. A mission statement should focus on the market or markets the organization is attempting to serve rather than on the good or service offered. Students should be able to evaluate mission statements from company Web pages according to their marketing orientation and focus.

3. Thinking back to review question 2, write a business mission statement for Shur Snak. What elements should you include? Evaluate the mission you wrote against some of the mission statements you found online in question 2.

The mission statement should focus on the market or markets that the organization is trying to serve rather than the one good or service that it offers. Elements that could be included in a mission statement are 1) market(s) served; 2) benefits; 3) long-term vision; 4) special competitive advantages, such as technology; and 5) goals, such as market leadership.

4. Building on our Shur Snak example, imagine that your boss has stated that the marketing objective of the company is to do the best job of satisfying the needs and wants of the customer. Explain that although this objective is admirable, it does not meet the criteria for good objectives. What are these criteria? What is a specific example of a better objective for Shur Snak?

Good criteria for objectives include 1) they are realistic, measurable, and time specific; and 2) they are consistent and indicate the priorities of the organization. The objectives that students write should meet those criteria.

5. Competition in the private courier sector is fierce. Companies like UPS and FedEx dominate, but others, like Airborne, Emery, and even the United States Postal Service, still have a decent chunk of the express package delivery market. Perform a mini situation analysis on one of the companies listed by stating one strength, one weakness, one opportunity, and one threat. You may want to consult the following Web sites as you build your grid:

United Parcel Service (UPS): <http://www.ups.com>
USPS: <http://www.usps.gov>

FedEx: <http://www.fedex.com>
DHL: <http://www.dhl-usa.com>

The situation analysis (SWOT analysis) should include the following:

Internal analysis: Strengths and Weaknesses

External analysis: Opportunities and Threats

- 6. Based on your SWOT analysis, decide what the strategic growth options are for the company you chose in question 5.**

Strategic growth options should be chosen from the following: 1) market penetration strategy, 2) market development strategy, 3) product development strategy, or 4) diversification.

- 7. Break into small groups and discuss examples (at least two per person) of the last few products you have purchased. What specific strategies were used to achieve competitive advantage? Is that competitive advantage sustainable against the competitors?**

To have a successful marketing plan, one must seek a differential advantage over the competition when examining internal strengths and external marketplace opportunities. A differential advantage is one or more unique aspects of an organization that cause target consumers to patronize that firm rather than competitors. A differential advantage may exist solely in the firm's image. Differential advantages may also occur in any element of the marketing mix. The two basic sources of differential advantage are superior skills and superior resources. The key to having a differential advantage is the ability to sustain that advantage. A sustainable competitive advantage is one that cannot be copied by the competition.

- 8. Choose three or four other students and make up a team. Create a marketing plan to increase enrollment in your school. Describe the four marketing mix elements that make up the plan.**

Students should provide detail for the following elements of the marketing plan:

Business mission statement

Objectives

Situation analysis

Internal strengths and weaknesses

External environmental opportunities and threats

Target market(s)

Marketing mix

Product/service strategies

Place/distribution strategies

Promotion strategies

Pricing strategies

Implementation, evaluation, and control

- 9. Have your school enrollment marketing plan team (from question 8 above) develop a plan to implement, evaluate, and control the marketing strategy.**

This section can use a number of formats, but a suggested format for the implementation plan is a Gantt chart or other scheduling chart that shows the "big picture" of when important events should take place in order to put the strategies and tactics into action. If students don't know how to create a Gantt chart, they can put together a simple timeline showing these events.

For the evaluation and control section, a simple grid containing the following elements should suffice: 1) the marketing objectives (both financial and strategic objectives), 2) how to measure the objectives, and 3) when to evaluate the accomplishment of each objective.

APPLICATION EXERCISE

As you now know from reading the chapter, an important part of the strategy-making process involves scanning the environment for changes that affect your marketing efforts. This exercise is designed to introduce you to the business press and to help you make the connection between the concepts you learn in the classroom and real-world marketing activities.

Activities

1. Find a current article of substance in the business press (*The Wall Street Journal*, the *Financial Times*, *Fortune*, *Bloomberg Businessweek*, *Inc.*, etc.) that discusses topics you have covered in this course. Although this is only Chapter 2, you will be surprised by the amount of terminology you have already learned. If you are having trouble finding an article, read through the table of contents at the beginning of the book to familiarize yourself with the names of concepts that will be presented later in the course. Read your article carefully, making notes about relevant content.
2. Write a one-paragraph summary of the key points in your article; then write a list of the terms or concepts critical to understanding the article. Provide definitions of those terms. If you are unfamiliar with a term or concept that is central to the article, do some research in your textbook or see your professor during office hours. Relate these key points to the concepts in your text by citing page numbers.
3. Explain the environments that are relevant to the situation presented in the article. (Chapter 3 contains a full list of environmental factors.)
4. How are the strategic elements of target market and marketing mix relevant to the article?

Purpose: The purpose of this application is to demonstrate the importance and the energy it takes for good environmental scanning. This exercise will introduce students to the business press and so help make the connection from the classroom to the real world.

Setting it up: The exercise is best used as an assignment. It could also work as an in-class group activity by asking students to each bring a business article of interest to class, dividing the class into groups, and having each group select one of its member's articles as the basis for the activity. Groups would do the scan together and report their findings to the class.

This exercise was inspired by the following Great Idea in Teaching Marketing:

Robert D. O'Keefe, DePaul University
Philip R. Kemp, DePaul University
J. Steven Kelly, DePaul University

PRINCIPLES OF MARKETING: USING ENVIRONMENTAL SCAN REPORTS AS A MEANS OF ASSESSING STUDENT LEARNING

Two of the several objectives we've set for our Principles of Marketing (Mkt 301) course are common to all principles courses. We want students to 1) develop an understanding of the fundamental concepts involved in marketing, and 2) develop skills in analyzing marketing strategies. In other words, we want students to leave the class understanding both the definition and application of marketing terminology and theoretical concepts.

We've found that we can assess a student's knowledge of terminology and even very basic applications of these terms via objective tests. Assessing our expectation that students, even at the introductory level, will develop a deeper and more sophisticated understanding of terminology and strategy requires an alternative method of assessment. Case study and case reports both written and oral are widely agreed to be an optimal method for assessing student performance. Our teaching environment, however, presented problems that are not uncommon to business programs. For a number of reasons, our class sizes have increased often to between 80 and 100 students and we have had to conduct classes in an auditorium setting with row upon row of fixed graduated seats. Aside from the physical conditions, recent curriculum revisions required that we add significant content to the principles course over the 10-week-long quarter. These are not

optimal conditions for the traditional case study approach to learning.

In addition to the individual courses' objectives, we are bound to meet college wide program objectives. As with many other schools of business, DePaul's College of Commerce has made "the development of both oral and written communication skills" a primary educational outcome and instituted a program of "writing across the curriculum" as a means of achieving enhanced communication skills. What we needed was a means of assessing our college course objectives, which converged with the program objective of the college. The adoption of what we have called environmental scan reports provided us with a method for satisfying both our course and program objectives.

As can be seen in the instructions that follow, the environmental scan reports serve to reinforce students' understanding of terminology and strategy. The reports provide a bridge between the text and contemporary events. To paraphrase our instructions, we want students to see that text concepts are dynamic and contemporary in their application.

Our experience with using the environmental scan reports over the past several years has been positive in a number of ways. We've found that the reports allow us to determine whether or not students are developing a working knowledge of marketing principles and are able to communicate this knowledge effectively. We've also found that the skills enhanced by the preparation of the environmental scan reports transfer quite well to the traditional case studies encountered in advanced classes. In addition, the written comments on the students' course evaluation forms quite frequently cite the environmental scan reports as one of the aspects of the course they found most beneficial.

What follows are the instructions for preparing environmental scan reports. These instructions are included in the course syllabus. We invite our teaching colleagues to experiment with environmental scan reports using the instructions provided or modifying them to meet their own course and program objectives.

Handout
ENVIRONMENTAL SCAN ASSIGNMENT

Each student will do this assignment three times per term. It will be worth 90 points (3 × 30).

The assignment involves finding a current article of substance in the business press (*The Wall Street Journal*, *Bloomberg Businessweek*, *Fortune*, etc.). Find something about a company or industry, which discusses topics in your marketing text (text name).

The objectives of these reports include the following:

1. To guide you in discovering that marketing is not simply a collection of static terms and dated theories. Rather, as you'll find in reading the articles and preparing your reports, both corporate and social organizations are living the principles you are learning.
2. To assure that you effectively communicate the important points of the articles on which you've chosen to report.

You will be assigned, with other students, a group number. Check the list that will be distributed to see when your number comes due. We will discuss these articles during the week. Expect to be called upon to discuss your report; I will call on some of the students in the group throughout the week. You must be prepared to hand in your assignment when requested. Late assignments will receive only half credit.

Format

Reports are to be typed, double spaced, on 2 (MAXIMUM) sheets of 8 ½" x 11" paper, stapled together, with no plastic bindings. I expect that these reports will represent your best presentation quality.

Include the following headings: I. Introduction, II. Environment, III. Marketing Mix Variables, and IV. Questions.

At the top of page 1, include the following:

Your name, group number
Mkt. 301

Use the following citation format:

Author's last name, first name, "Title of the article," in Periodical, (dates), page numbers.

Follow this outline for your report:

I. Introduction: This is three paragraphs long.

1. In your own words, provide a one-paragraph summary of key points of the article.
2. List and provide definitions of terms or concepts critical to understanding the key points of the article.
3. Relate the key points, terms, and concept to the material in your textbook. Cite the appropriate chapters and page numbers.

II. Environment:

Explain which of the "environments" are relevant to the situation discussed in the article. Refer to Chapter 4 of the text for a complete discussion of environments. Pay special attention to the competitive environment and issues bearing on competitive advantage.

III. Marketing Mix Variables

Explain the relevance of the strategy elements (target market and marketing mix) and especially changes in the strategy elements dictated by the situation discussed in the article.

Presentation

I expect to ask students who submit particularly relevant reports to summarize these reports in class.

ETHICS EXERCISE

Abercrombie & Fitch, a retail clothing chain based in New Albany, Ohio, launched a line of thong underwear for preteen girls. Words like “eye candy” and “wink wink” were printed on the front of the skimpy underwear that some argued would fit girls aged 5 to 10. Abercrombie is known for its provocative ads and sexually oriented catalogs. Supporters of the strategy claim that producing thong-style underwear for 10- to 16- year olds is a good move; critics think that the line is tasteless and that marketing it to young girls is contemptuous.

Questions

1. Is marketing adult-styled undergarments to a younger audience unethical?

Abercrombie, a company known for using sex as a primary advertising tool, has attracted younger ages to its lines designed for the college crowd. In this case, Abercrombie was promoting and actively marketing adult-styled underwear to young girls; it was a case of promotion rather than attraction. For this reason, Abercrombie’s actions could be considered unethical. Marketers targeting products at children must vigilantly monitor their marketing efforts to make sure they are not promoting or otherwise advocating products that are not appropriate for that age group.

2. Would Abercrombie have been in the spotlight had the sexy words been omitted from the product?

The parental backlash may not have been so strong if the sexy words had been omitted. Without the phrases, the more subtly sexual underwear may have passed under the radar of many parents adopting a “kids will be kids” attitude. The phrases, however, called attention to the sexual nature of the design, causing the parents of many pre-teen girls to react.

VIDEO ASSIGNMENT: Recycline

CA Webb discusses Recycline’s strategic decisions that help the company have a sustainable competitive advantage—giving customers sustainable, environmentally friendly products without sacrificing any features of the traditional product. CA Webb also discusses her use of SWOT, and how it helps Recycline make strong choices for the new brand.

1. True or False: Recycline avoids marketing myopia by defining a goal to provide consumers with green products that do not require any “sacrifice” in terms of performance or price for environmentally sound products.

ANS: True

Rather than defining their business in terms of goods and services, a shortcoming called marketing myopia, they have identified the benefits that customers want from the products they offer.

2. True or False: Webb says she stays awake at night worrying that the new creative aspects of Recycline’s marketing strategy may be no better than the old logos and designs. Her next step would be the implementation of the marketing strategy, to determine how well the new logos and product designs are being accepted.

ANS: False

Instead, the next step would be evaluation, with use of controls to provide mechanisms for measuring the results of the marketing strategy.

3. True or False: Recycline avoids marketing myopia by defining a goal to provide consumers with green products that do not require any “sacrifice” in terms of performance or price for environmentally sound products.

ANS: True

Rather than defining their business in terms of goods and services, a shortcoming called marketing myopia, they have identified the benefits that customers want from the products they offer.

4. True or False: Recycline's mission statement describes the managerial process of creating a fit between company's objectives and resources and the market opportunities.

ANS: False

The managerial process described here is strategic planning.

5. Early firms producing "green" products attracted a small segment of consumers interested in environmentally friendly products, giving them a _____ competitive advantage.
- Price
 - Niche
 - Product/service
 - Sustainable

ANS: B

Firms in early stages targeting a small group of people with very specific interests (in this case, "Green" products) have a niche competitive advantage.

6. Recycline wants to expand its market share by finding consumers who are not familiar with the company to try their green products. Which option of Ansoff's marketing matrix will Recycline pursue to achieve this goal?
- Market penetration
 - Product development
 - Market development
 - Diversification

ANS: C

Recycline is looking for market development, which is increasing awareness among consumers unfamiliar with the existing product.

7. The products Recycline sells are created from recycled materials, a unique aspect that gives the company a(n) _____ competitive advantage because what it offers is different from products made by other companies.
- Niche
 - Price
 - Opportunity
 - Sustainable

ANS: D

Recycline developed a sustainable competitive advantage by offering products that are unique in the market.

8. Companies now contact Eric Hudson, Recycline's founder, to ask him about having the company use their recycled materials to create new products, but Recycline must consider which will work best for them, so they will likely look at cost comparative advantage in terms of _____.
- Reengineering
 - Production innovation
 - Efficient labor
 - Government subsidies

Ans: B

Production innovation helps lower the average cost of production

9. Marketing director C. A. Webb says she uses "strength, weakness, opportunity, threat" on a daily basis when marketing Recycline's products, referring to her dependence on a(n) _____ to track the current and potential environment in which the company's products are being marketed.
- Competitive advantage
 - SWOT analysis

- c. Environmental scan
- d. Target market

Ans: B

A SWOT analysis identifies internal strengths and weaknesses of a company, in addition to external threats and opportunities, to help marketers understand a product's environment.

10. Recycline's marketing plan considers several of the "four Ps," but Webb says their strategy is currently driven by the fact that they are in a "hot space" right now, with the media interested in telling their story. Which of the four Ps is Recycline dependent on by pursuing this strategy?
- a. Product
 - b. Place (distribution)
 - c. Promotion
 - d. Price

ANS: C

Promotion includes advertising, public relations, sales promotion, and personal selling.

11. Recycline has spent the last year studying their brand and preparing it for an increasingly sophisticated green consumer, which was a(n) _____ for the company.
- a. Marketing objective
 - b. Mission statement
 - c. Implementation
 - d. Control

ANS: A

A marketing objective is a statement of what is to be accomplished through marketing activities.

CASE ASSIGNMENT: Disney

The Happiest Brand on Earth

In 2006, Disney's Pixar released the hit movie *Cars*, which grossed \$462 million worldwide. Since then, *Cars* merchandise has generated over \$2 billion in sales each year. Pixar has since created a series of *Cars* shorts to be aired on the Disney Channel with a subsequent DVD release. A *Cars* sequel is in the works for 2011, and an online virtual gaming world is set to release 2009. In 2012, Disney's California Adventure theme park will open its 12-acre *Cars* Land attraction.

At Disney, the brand is the name of the game, and cross-platform success of the *Cars* franchise is by no means the exception to the rule. Disney also has the Jonas Brothers, Hannah Montana, High School Musical, the Disney Princesses, Pirates of the Caribbean, and the list goes on and on. The man behind the magic is Disney's CEO, Bob Iger, who has led a dramatic revitalization of the Disney brand since succeeding longtime head Michael Eisner in 2005. When he first took the post, his strategy shifted Disney's focus around its stable of "franchises." These franchises are distributed across Disney's multiple company platforms and divisions, such as Disney's various television broadcasts platforms (the Disney Channel, ABC, ESPN), its consumer products business, theme parks, Disney's Hollywood Records music label, and Disney's publishing arm in Hyperion, just to name a few.

Iger's franchise strategy has been supported by the other major move he made upon first becoming CEO. On his first day on the job, Iger told the board that revitalizing Disney's animation business was a top priority, which would be improved through the purchase of Pixar. As part of Iger's franchise strategy the deal made perfect sense, as many of Disney's latest TV shows, Disneyland rides, and merchandise were based on Pixar characters.

Finding a new market to push the Disney franchise became a priority as well. With the Disney brand growing flat, it was becoming evident that Disney had missed some opportunities for broader success due to a narrowing of its target market, which was at the time largely associated with younger children.

Iger's first move was to broaden Disney's viewership by moving the Disney Channel from premium to basic cable and launching local versions in key global markets. Then, Disney began pushing franchises to capture the rapidly

growing tween market. Putting its support behind the Disney channel's *High School Musical* and *Hannah Montana* and the Jonas Brothers, who were emerging out of Disney's music label, Disney quickly generated a series of franchise juggernauts in the tween girl market.

Though Disney's focus has remained on family-friendly fare, Iger has shown a new willingness to look to even broader markets if they fit with the Disney brand. Disney's *Pirates of the Caribbean*, the first Disney film with a PG-13 rating, based off the classic theme park ride, played a major role in refocusing the brand, and it also helped expand the Disney appeal to older kids and even adults. The *Pirates* and *Cars* franchises also provided preliminary steps for Disney's latest endeavors to crack the tween boy market, one traditionally difficult for media companies to sustainably capture. Their efforts focus around the new Disney XD channel, which has a broad range of offerings, such as potential new franchises like the science fiction action-adventure show *Aaron Stone* and showcases of new musical talent. Disney will also be able to leverage ESPN to create original sports-based programming. The channel will be accompanied by a Disney XD Web site, which will promote the channel's programs, as well as offer games and original videos, social networking, and online community opportunities.

As it continues to expand and provide new franchise offerings, Disney looks to have relatively strong momentum, even in the midst of rising economic challenges. As Steve Jobs, Apple CEO and Disney board member, puts it, "Family is a renewable resource," and right now, Disney is making the most of it.

SOURCES: Richard Siklos, "Bob Iger Rocks Disney," *Fortune*, January 19, 2009, 80–86; Peter Sanders, "Disney Focuses on Boys," *The Wall Street Journal*, January 8, 2009, available at <http://online.wsj.com/article/SB123137513996262627.html> (accessed January 14, 2009).

Open-ended questions

1. **Do a brief market opportunity analysis for Disney, identifying the major markets that Disney has expanded into.**

A market opportunity analysis is the description and estimation of the size and sales potential of market segments that are of interest to the firm and the assessment of key competitors in these market segments. Students should analyze any of the following strategic moves that were implemented under CEO Iger's leadership: 1) Disney's ability to broker a deal with Pixar to revitalize its animation business and eliminate a chief competitor; 2) targeting the 6–14-year-old girl market by adding newer, hipper product offerings; 3) broadening Disney's viewership by moving the Disney Channel from premium to basic cable and launching local versions in key global markets; and 4) a willingness to expand into even broader markets by introducing PG-13-rated films and television offerings that appeal to 6–14-year-old boys.

2. **How does Disney's cross-platform franchising help create sustainable competitive advantage?**

Disney takes advantage of cross-platform franchising by getting the most out of its popular franchises. For example, the *Cars* franchise has been financially lucrative since the *Cars* movie was released in 2006. With a sequel in the works for 2011 and the expected opening of a *Cars* Land attraction at Disney's California Adventure theme park, the franchise is expected to continue to bring in revenue.

3. **Describe the marketing mix for one of Disney's franchises.**

Students may describe the marketing mix for any of Disney's franchises, not limited to *Cars*, Jonas Brothers, *Hannah Montana*, *High School Musical*, the Disney Princesses, and *Pirates of the Caribbean*. Students should first identify a target market. Students should then describe how product, place (distribution), promotion, and pricing are blended to produce mutually satisfying exchanges with the target market.

4. **Describe the major components of Bob Iger's strategic plan when he first became CEO.**

When Bob Iger became CEO of Disney, he shifted Disney's focus around its stable of franchises to take advantage of cross-platform franchising. He also revitalized Disney's animation business by brokering a deal that led to the acquisition of Pixar. Iger also developed strategies to expand existing markets and identify new markets for Disney franchises, first by targeting the 6–14-year-old girl market, then by targeting the 6–14-year-old boy market.

Close-ended Questions

TRUE/FALSE

1. By creating sequels and spinoffs of the original Cars, such as short films and a Cars theme park attraction, Disney is pursuing market penetration.

ANS: T PTS: 1 OBJ: LO-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

2. Disney is a large corporation with many SBUs creating products for every individual in the typical (and not so typical) family. So, these units can be seen as niche marketing.

ANS: F
A niche market is a market segment that isn't important to larger competitors. Disney's operations focus on large markets.

PTS: 1 OBJ: LO-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

3. When Disney spins off one of its franchises, like a line of Hannah Montana jeans, it is building a sustainable competitive advantage.

ANS: T PTS: 1 OBJ: LO-6 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level I Knowledge

4. Disney's change in strategy would, if applied to developing a mission statement, would emphasize serving a target audience of young people.

ANS: F
False, because the Disney case shows that the company is intent on producing entertainment products that follow a person throughout his or her life, that is, into adulthood.

PTS: 1 OBJ: LO-4 TOP: AACSB Reflective Thinking
KEY: CB&E Model Marketing Plan MSC: BLOOMS Level I Knowledge

MULTIPLE CHOICE

1. A significant demographic driver for Disney to expand its target market to teens was _____.
- family-friendly fare
 - to achieve tween appeal
 - fewer younger children
 - to reach out to an adult audience
 - all of the above

ANS: C
It was becoming evident that Disney had missed opportunities with the narrowing of its narrowing target market of younger children.

PTS: 1 OBJ: LO-3 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

2. If Disney created a Jonas Brothers wristwatch packaged with their latest CD, which only sold in its theme park gift shops to maximize profits over CD sales in third-party outlets, Disney would be pursuing what strategy?
- a promotion strategy
 - a mixed market
 - a pricing strategy

- d. a place strategy
- e. all of the above

ANS: A

This is a promotion strategy designed to increase sales in one place, but it is still a promotion strategy first and foremost.

PTS: 1 OBJ: LO-9 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

3. You are tasked with doing a market opportunity analysis (MOA) of Disney's target markets. Which division(s) might create the most value by appealing to each of those markets?
- a. Pixar
 - b. Disney's theme parks
 - c. Pixar and Disney's movie studios
 - d. Disney's stable of pop stars
 - e. Pirates of the Caribbean franchise

ANS: C

The most probably answer is Pixar and the movie studios because these business units create the products that generate the most spinoffs and sequels.

PTS: 1 OBJ: LO-8 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

4. In determining that Disney could achieve a technological advantage in purchasing Pixar as well as appeal to a smaller number of younger children with the most appealing animation, which of the following processes would help most in making that determination?
- a. market myopia
 - b. environmental scanning
 - c. taking control of resources
 - d. product differentiation
 - e. identifying a cash cow

ANS: B

Environmental scanning helps identify important macroenvironmental forces, including social, demographic, economic, technological, political and legal, and competitive.

PTS: 1 OBJ: LO-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

5. The decision to purchase Pixar was to revitalize Disney's animation business. Which of the following most likely have helped in reaching that decision?
- a. SWOT analysis
 - b. The General Electric Model
 - c. A portfolio matrix
 - d. Ansoff's Opportunity Matrix
 - e. Any of the above would be of equal help

ANS: A

When Disney chose to buy Pixar, it sought to revitalize one of its core businesses, animation, that is, it addressed both a strength and a weakness.

PTS: 1 OBJ: LO-5 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

6. Name the person or persons most critical to the strategic plan behind the success of Disney's individual franchises.
- a. the CEO and Roy Disney
 - b. Michael Eisner
 - c. the franchise management teams

- d. Steve Jobs and Bob Iger
- e. Bob Iger

ANS: E

The most critical element in successful strategic planning is top management's support and participation.

PTS: 1 OBJ: LO-11 TOP: AACSB Reflective Thinking
KEY: CB&E Model Strategy MSC: BLOOMS Level II Comprehension

GREAT IDEAS FOR TEACHING CHAPTER 2

James S. Cleveland, Sage College of Albany

DISCUSSION BOARD TOPICS TO ENCOURAGE PARTICIPATION

Discussion board questions provided to students to encourage them to engage in thinking and writing about the content of the Principles of Marketing course usually take the form of a provocative statement to which students are asked to respond. An example of this would be "All PR is good PR."

Discussion topics such as this one are abstract and often require that the instructor provide an initial reply to show students what is expected of them in their own replies. For students with limited work experience, this approach may be quite appropriate. For adult students with extensive experience as employees and consumers, however, the abstract nature of such topics can be frustrating.

I have developed, therefore, a series of discussion board questions to use with experienced, adult students. These questions are designed to encourage them to use their experiences as employees and consumers as doorways to better understand the course material, and to make their own responses more interesting to themselves and to the other students in the class who will read and comment on them.

Each question has three parts:

1. First, there is a sentence or two from the students' textbook introducing the topic. By using the text author's own words, students are enabled to locate relevant material in the text more easily, the text content is reinforced, and confusion resulting from use of variant terms or expressions is minimized.
2. Second, there is a reference to text pages the students should review before proceeding. Since the goal of the exercise is for students to apply the course content to their own experiences, reviewing the content first is important.
3. Third, there is a request for the students to think about or remember some specific situations in their experiences to which they can apply the text material, and a question or questions for them to address in their replies.

The following example is for Chapter 2 of *MKTG*. The three parts have been separated here so they are more readily visible.

1. The term *marketing mix* refers to a unique blend of product, distribution, promotion, and pricing strategies designed to produce mutually satisfying exchanges with a target market.
2. Review the four parts of the marketing mix on pages 25–27 of your text.
3. Then choose an idea, good, or service with which you are familiar and describe its marketing mix and how it resulted (or did not result) in a satisfying exchange for you.

BUYING AN EDUCATION: THE FOUR Ps ON DAY ONE

Students enrolled in my two-credit Introduction to Marketing course may be freshmen exploring a business major, sophomores fulfilling a requirement for the accounting degree, or even senior English majors taking the “something!” their parents urged to help them get a job. From the first day I must get students to recognize the experiential base of marketing, and I must create class norms of participation.

I begin the first class by asking students to break into small buzz groups. I then pass out a sheet with the question, “Why are you buying your education at The College of St. Catherine?” Students typically look surprised—they have not regarded their college choice as a consumer purchase. I mention that there are well over a dozen other options for taking an Introduction to Marketing course for college credit within this term within this metropolitan area. Students are instructed to spend at least 20 minutes recalling absolutely every influence that caused them to come to this college. Another question on the same sheet asks them “What do you have in common with the other students in your group?” They spend about five minutes discussing this.

Typical answers for the first question might be “Small class size,” “Financial aid package,” etc. As I collect their responses on the board, I discuss items as choices made by them or by the institution. They gradually notice that I am listing their comments deliberately in one of four columns. They note as well that I am keeping a separate list of other colleges they mention that they had also considered. Inevitably, the discussion produces the four Ps of the marketing mix and gives the foundation of our course. Typical inputs are:

- Product: specific major, class size, academic reputation . . .
- Price: actual costs, financial aid, scholarships . . .
- Place: near/far from home, in an urban area where jobs are plentiful, the beauty of the campus . . .
- Promotion: campus recruiting officers, relatives or friends who have attended, high school counselors . . .
- The list of other colleges generates the Competition.

The profile of the Customer, “What you have in common,” is much less obvious to them. At this private women’s college, gender and religion are sometimes mentioned; more often students think about academic major or hometown. They rarely generate other demographics like income and almost never get near psychographics (which, at our particular campus, is the most significant variable besides gender!). Yet when competitor colleges are mentioned, they are all able to paint an instant portrait of the student at each of these institutions.

Within the first class, then, we have generated the fundamental concepts of the course. Students begin to differentiate the four Ps and to recognize the influence of competition on managing the marketing mix. They begin to explore the complexities of market segmentation and the significance of knowing your target market fully. They know as well that their contribution to the class is necessary and valuable. Throughout the term I refer to this day’s discussion at the introduction of any new concept. Student feedback has been that this beginning adds significant coherence to a brief yet broad-ranging course.

ANALYZING COMPANY STRATEGY VIA MULTIPLE RESOURCES

Beyond basic marketing courses, students can be expected to analyze marketing strategy of companies by building a “data base” using widely available sources.

1. Encourage students to choose for a class project a publicly traded company. Owners of privately held firms can never be expected to divulge confidential data for a class project, even to a friend of a close family member.
2. Students should immediately request via the firm’s 1-800 shareholder relations number annual and quarterly reports, 10-K and 10-Q reports, and a student press kit. Some companies need repeated requests and follow-up. Call 1-800-

555-1212 (the 800 information operator), or try an “800” Web site database to get the shareholder relations 1-800 number. Students can then follow steps 3–9.

3. Search the company’s Web site for annual and quarterly reports and press releases of strategic decisions. Be aware of key-word search opportunities at the company’s Web site.
4. Utilize the EDGAR Web site, the Security and Exchange Commission’s database of filings by public companies, to analyze 10K and 10Q reports. The reports are voluminous. Use the “print page” options for printing ONLY the page needed.
5. Analyze Value Line’s one-page profile of highly useful data about the company, an industry overview, and comparisons of the company to its competitors.
6. Study page B-2 of the Monday through Friday *Wall Street Journal* for daily alphabetical lists of all companies mentioned in that day’s newspaper. A student individual subscription is useful for cutting and filing daily.
7. Search ABI/Inform, a database of over 1,000 publications that allows key word subjects and is updated monthly. The Web site is updated daily.
8. Analyze Hoover’s *Handbook of American Business*, which profiles publicly traded companies, listing information that might not be found elsewhere.
9. Finally, give students specific heading areas to look for in their analysis of the firm’s strategy, including the following: pricing and margin, concept differentiation and clarity, positioning and repositioning, branding, trade dress, customer profile, location strategy, distribution, turnover, strategic alliances. Presentation of findings, along with graph support, will spur class discussion.

P.J. Forrest, Mississippi College

MARKETING MIX REPORTS

One of the most helpful projects I’ve ever assigned in Principles of Marketing is Marketing Mix Reports. The students pick a good or a service at the beginning of class and throughout the semester use that good or service as a reference and an example for each topic we cover. In addition, they prepare a report on the marketing mix actually used for that product.

At the beginning of the semester, the students are required to choose a product by brand name. Many popular brands such as Tommy Hilfiger, Nike, and Coke are chosen, but also some lesser-known brands such as Louisville Slugger, Peavey, or Furby are chosen. Some students choose familiar products such as soft drinks, automobiles, backpacks, sports equipment, and computers; others choose a special-interest item that is less familiar to most of us such as deer stands, paint ball equipment, or a musical group. I must approve the choice, and my criterion is whether there is enough marketing information readily available on the good or service. I put the brand names of the products the students have chosen on the seating chart next to their respective names, which allows me to use their products as examples during lectures.

In the past I’ve had them hand in a single report after we had covered product, place, promotion, and price, but at present I break it down into four separate reports. These one- or two-page reports are easy to prepare, but it forces the student to apply and properly use marketing terms and concepts. As we cover each of the four Ps, the student has to prepare a report, which is handled in or presented at the last class meeting before the exam on that topic. Every semester I get numerous comments on my teaching evaluation from students about how much doing the report helped in preparing for the exam and in learning the course material.