

Marketing Management 15th edition Kotler Solutions Manual

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CHAPTER **2** *DEVELOPING MARKETING STRATEGIES AND PLANS*

LEARNING OBJECTIVES

In this chapter, we will address the following questions:

1. How does marketing affect customer value?
2. How is strategic planning carried out at the corporate and divisional levels?
3. How is strategic planning carried out at the business unit level?
4. What does a marketing plan include?

CHAPTER SUMMARY

1. The value delivery process includes choosing (or identifying), providing (or delivering), and communicating superior value. The value chain is a tool for identifying key activities that create value and costs in a specific business.
2. Strong companies develop superior capabilities in managing core business processes such as new-product realization, inventory management, and customer acquisition and retention. In today's marketing environment, managing these core processes effectively means creating a marketing network in which the company works closely with all parties in the production and distribution chain, from suppliers of raw materials to retail distributors. Companies no longer compete—marketing networks do.
3. Market-oriented strategic planning is the managerial process of developing and maintaining a viable fit between the organization's objectives, skills, and resources and its changing market opportunities. The aim of strategic planning is to shape the company's businesses and products so they yield target profits and growth. Strategic planning takes place at four levels: corporate, division, business unit, and product.
4. The corporate strategy establishes the framework within which the divisions and business units prepare their strategic plans. Setting a corporate strategy means defining the corporate mission, establishing strategic business units (SBUs), assigning resources to each, and assessing growth opportunities.
5. Marketers should define a business or business unit as a customer-satisfying process. Taking this view can reveal additional growth opportunities.
6. Strategic planning for individual businesses includes defining the business mission, analyzing external opportunities and threats, analyzing internal strengths and weaknesses, formulating goals, formulating strategy, formulating supporting programs, implementing the programs, and gathering feedback and exercising control.
7. Each product level within a business unit must develop a marketing plan for achieving its goals. The marketing plan is one of the most important outputs of the marketing process.

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OPENING THOUGHT

This introduces several perspectives on planning and describes how to draw up a formal marketing plan. The formal marketing plan sample is an excellent resource because it provides an overview of the types of decisions a marketer might make in an effort to create customer value. Provide sufficient class time covering the distinctions between strategy and tactics. Finally, this chapter contains a case analysis using Marketing Plan Pro software that may present some difficulties to students unfamiliar with its use. It is important to note that the objective of the inclusion of this software is to familiarize students with the many aspects of the marketing plan—not for them to become experts in the use of this specific software. The instructor may want to emphasize its usage at his or her discretion.

TEACHING STRATEGY AND CLASS ORGANIZATION

PROJECTS

1. For the semester-long project, with this chapter, we continue the formation of groups; first presentation of “product” to instructor for approval; review of process; and calendar of “due dates.”
2. As a group presentation project, have each group present their Pegasus Sports International marketing plan to the class. Non-presenting groups should be ready to evaluate the accuracy of the numbers presented, critique, refute, and/or debate the findings of the other groups. Each group presentation should be followed by a written presentation of their marketing plan.
3. Students should be encouraged to review selected companies’ annual reports to collect from these reports the corporations’ mission statements, strategy statements, and target market definitions. The collected material can be discussed in class comparing the company’s overall business, marketing, and customer strategies.
4. Sonic ~~SmartphonePDA~~ Marketing Plan. Every marketing plan must include the company mission, analysis of strengths, weaknesses, opportunities, and threats and state the marketing and financial objectives for the plan period. Sonic is a start-up company that will soon introduce a new ~~Smartphone~~~~multi-function personal digital assistant (PDA)~~ to compete with established products made by ~~Apple, SamsungPalm, Hewlett-Packard, Sony, and others~~. As an assistant to Jane Melody, Sonic’s chief marketing officer, you have been assigned to:
 - Draft a mission statement for Sonic’s senior management to review.
 - Prepare a summary of strengths, weaknesses, opportunities, and threats (SWOTs).
 - List the marketing and financial objectives the company has for the new ~~SmartphonePDA~~ being developed by Sonic.

As your instructor directs, enter Sonic’s mission statement, SWOTs, and financial and marketing objectives in a written marketing plan, or type them into the Mission, SWOT, and Objectives sections of Marketing Plan Pro.

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Commented [A1]: I updated some of the companies...not sure if the author had specific companies in mind

ASSIGNMENTS

Each student is in effect a “product.” Like all products you (they) must be marketed for success. Have each of your students’ write their own “mission statement” about their career and a “goal statement” of where they see themselves in 5 years, 10 years, and after 20 years.

Have students read Jon R. Katzenbach and Douglas K. Smith, *The Wisdom of Teams: Creating the High-Performance Organization* (Boston: Harvard Business School Press, 1993); Hammer and Champy, *Reengineering the Corporation* and report on their findings in a written and/or oral presentation.

Select a local firm or have the students select firms in which they are familiar (current employers or past employers, for example) and have them answer the questions posed by the Marketing Memo, Marketing Plan Criteria regarding the evaluation of a marketing plan. Make sure the students are specific in their answers.

As a group presentation project, have the students read: Peter Lorange and Johan Roos, *Strategic Alliances: Formation, Implementation and Evolution* (Cambridge, MA: Blackwell, 1992); Jordan D. Lewis, *Partnerships for Profit: Structuring and Managing Strategic Alliances* (New York: The Free Press, 1990); John R. Harbison and Peter Pekar, *Smart Alliances: A Practical Guide to Repeatable Success*, (San Francisco, CA: Jossey-Bass, 1998) and have each group present their findings.

END-OF-CHAPTER SUPPORT

MARKETING DEBATE—What Good Is a Mission Statement?

Mission statements are often the product of much deliberation and discussion. At the same time, critics claim they sometimes lack “teeth” and specificity, or do not vary much from firm to firm and make the same empty promises.

Take a position: Mission statements are critical to a successful marketing organization versus mission statements rarely provide useful marketing value.

Pro: A well-crafted corporate mission statement reflects the values of the firm as they relate to the community at large, its stakeholders, its employees, and its customers. Once the firm’s positions are delineated in the mission statement, marketing can begin the process of setting its priorities, goals, and objectives derived from the stated priorities of the firm. With the advent of holistic marketing, what the firm believes about the communities at large and what strategic direction the firm wishes to take should be defined through its mission statement.

Con: Mission statements are written for public consumption and rarely if ever do they reflect the actual goals, objectives, and mission of the firm. These statements are for public consumption and are written to placate the corporate stakeholders, employees, and consumers. Although most mission statements are written with good intentions, the real direction of the firm must be found in the application of its business practices. Marketing should not make the mistake of deriving its goals, objectives, and strategies from these platitudes.

MARKETING DISCUSSION – **Marketing Planning**

Consider Porter’s value chain and the holistic marketing orientation model. What implications do they have for marketing planning? How would you structure a marketing plan to incorporate some of their concepts?

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Answer: Michael Porter's value chain is a tool for identifying ways to create more customer value. This value chain identifies nine strategically relevant activities that create value and cost in a business. There are five primary activities and four support activities in this value chain. The five primary activities are: inbound logistics, operations, outbound logistics, marketing and sales, and service. The four support activities are: procurement, technology development, human resource management, and infrastructure.

Before the marketing function begins its planning, it first must examine the costs and performance of the firm in each of these value-creating activities and look for ways to improve or reduce costs/products as needed. Marketing must also force the firm to benchmark itself to the competition in all of these areas.

The structure of the marketing plan must take into account each of the five primary activities and each of the four support activities. A marketing plan must incorporate both a "downstream" and "upstream" review in the process to deliver superior customer value. This means that the planning process must include areas for improvement in the five primary areas and the four support areas as part of its strategy and product development. Essentially, the marketing plan becomes an "improvement" document for the firm in each of these nine strategic activities delineating areas for change or modification for the firm.

Marketing Excellence: CISCO

1. How is building a brand in a business-to-business context different from doing so in the consumer market?

Suggested answer: Building a brand in a business-to-business market involves different consumers/customers than the consumer market. In the B2B market, you have deciders, influencers, users, gatekeepers, and buyers—all making or playing a part in the decision making process to buy or not to buy a product and/or service. In the consumer market, these five roles may be allocated or assumed by one or two people, usually the head of the household and/or the user.

In the B2B market products can emphasize their capabilities and performance characteristics more than they can to the consumer, especially technical products. In the consumer channel-name (brand) recognition is and can be a powerful marketing tool.

2. Is Cisco's plan to reach out to consumers a viable one? Why or why not?

Suggested answer: Student's answers will vary but most may offer that since Cisco is trying to reach the consumer market by the use of integration, that is, acquiring known consumer electronics companies first, like Linksys, perhaps the strategy may work. Of course, the quote from the text "thought-provoking and provocative and doesn't slam the brand name into you from the first page" may not be the right strategy to use in the consumer market where the consumer is "slammed" with thousands and thousands of ads each week and "slamming harder" often works.

Marketing Excellence: Intel

1. Discuss how Intel changed ingredient-marketing history. What did it do so well in those initial campaigns?

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Suggested answer: Intel created a “brand” identity for their microprocessor and created a campaign in which consumers “pulled” the brand through the marketing process by asking for “Intel Inside” their computers. This “pull” campaign was very successful and carried over to other Intel chips like the Atom and Centrino Duo.

2. Evaluate Intel’s more recent marketing efforts as the industry moves out of the PC era. What are Intel’s greatest risks and strengths during this changing time?

Suggested answer: Student answers will vary but most might say that Intel has lost brand resonance and positioning with their dropping the “Intel inside” marketing campaign. One could argue that once a company has such brand recognition and has such a successful campaign that they should not walk away from it. Critics will say that the success of “Intel inside” could now be used to draw consumers to look for Intel chips in the new generation of mobile devices, like it did for the first generations of laptops and desktops, (the “pull” strategy) and as such Intel may lose their brand identity/preference for devices containing their chips in the future. The “A New Era of Computing” campaign is still focused on differentiating the Intel products based on cutting edge technology that increases the user’s capabilities.

DETAILED CHAPTER OUTLINE

Opening Vignette: Hewlett-Packard has been challenged in recent years, and is an example of how firms must constantly improve their strategies to adjust to changes in the marketplace.

- I. Marketing and Customer Value
 - A) The Value Delivery Process
 - i. Deliver customer value at a profit by fine-tuning the value delivery process
 - ii. The traditional view of marketing where a firm makes something and sells it only applies in economies with goods shortages
 - iii. Marketing is placed at the beginning of business planning in economies with different consumer needs and wants
 - iv. Three phases to the value creation and delivery sequence:
 - 1. Choosing the value: homework; market segmentation, target market selection, value positioning
 - 2. Providing the value: identification of features, prices, distribution
 - 3. Communicating the value: use the Internet, advertising, sales force and other communication tools
 - B) The Value Chain
 - i. Every firm is a synthesis of activities performed to design, produce, market, deliver and support its product.
 - ii. Primary activities
 - 1. Inbound logistics: bringing materials into the business
 - 2. Operations: converting materials into final products
 - 3. Outbound logistics: shipping out final products
 - 4. Marketing (includes sales)
 - 5. Service

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- iii. Support activities
 - 1. Procurement
 - 2. Technology development
 - 3. Human resource management
 - 4. Firm infrastructure
 - iv. Firms examine costs and performance in each value-creating activity and benchmark against competitors to look for ways to improve
 - v. Core business processes (increasingly reengineered and assigned cross-functional teams):
 - 1. The market-sensing process: gathering and acting upon information about the product
 - 2. The new-offering realization process: researching, developing, and launching new high-quality offerings quickly and within budget
 - 3. The customer acquisition process: defining target markets and prospecting for new customers
 - 4. The customer relationship management process: building deeper understanding, relationships, and offerings to individual customers
 - vi. Companies often partner with specific suppliers and distributors to create a superior value delivery network, or supply chain
- C) Core Competencies
- i. Three characteristics
 - 1. Sources of competitive advantage that make a significant contribution to perceived customer benefits
 - 2. Have applications to a wide variety of markets
 - 3. Are difficult for competitors imitate
 - ii. Accompanied by distinctive capabilities, or excellence in broader business processes
 - 1. Market sensing
 - 2. Customer linking
 - 3. Channel bonding
 - iii. Opportunities and threats often begin as weak signals from the periphery of a business
 - iv. Businesses may need to realign themselves to maximize core competencies, using three steps
 - 1. Redefine the business concept or big idea
 - 2. Reshape the business scope, sometimes geographically
 - 3. Reposition the company's brand identity
 - v. Panasonic streamlined business units and emphasized profit, not just revenue growth, as part of its restructuring efforts
- D) Central Role of Strategic Planning
- i. Master marketers like Amazon.com and Ritz-Carlton focus on the customer and are organized to respond effectively to changing needs, have well-staffed marketing departments, successful CMOs, and other departments accept customer is king.
 - ii. Successful CMOs have strong quantitative and qualitative skills, work well with others but have an entrepreneurial attitude, understand the

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- bottom line and listen to the voice of the customers.
- iii. Successful CMOs are risk takers, problem solvers, change agents and results-oriented with global experience, multichannel expertise, cross-industry experience, digital focus and operational knowledge.
- iv. Three driving forces are expected to change CMO role
 - 1. Predictable marketplace trends
 - 2. Change role of the C-suite
 - 3. Uncertainty about the economy and organizational design
- v. Five priorities for a successful CMO
 - 1. Act as the visionary for the future of the company.
 - 2. Build adaptive marketing capabilities.
 - 3. Win the war for marketing talent.
 - 4. Tighten the alignment with sales.
 - 5. Take accountability for returns on marketing spending.
- vi. Marketers must prioritize strategic planning in three key areas
 - 1. Managing the businesses as an investment portfolio
 - 2. Assessing the market's growth rate and the company's position in that market
 - 3. Establishing a strategy
- vii. Most large companies consist of four organizational levels
 - 1. Corporate: designs corporate strategic plan to guide enterprise
 - 2. Division: establishes plan covering allocation of funds to each business unit
 - 3. Business unit: develops strategic plan for the unit
 - 4. Product: each product level develops a marketing plan
- viii. A marketing plan operates on a strategic level and a tactical level
- ix. The strategic marketing plan lays out the target markets and the firm's value proposition, based on an analysis of the best market opportunities.
- x. The tactical marketing plan specifies the marketing tactics, including product features, promotion, merchandising, pricing, sales channels, and service.
- II. Corporate and Division Strategic Planning
 - A) Corporate headquarters undertake four planning activities
 - i. Define the corporate mission
 - ii. Establish strategic business units
 - iii. Assign resources to each strategic business unit
 - iv. Assess growth opportunities
 - B) Defining the Corporate Mission
 - i. Over time, the mission may change to respond to new opportunities or market conditions
 - ii. Classic questions: What is our business? Who is the customer? What is of value to the customer? What will our business be? What should our business be?
 - iii. Companies often define themselves in terms of products
 - iv. Market definitions of a business describe the business as a customer-satisfying process, which is preferred because products are transient but basic needs and customer groups endure forever.

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- v. Example of market definition: Steelcase describes itself as “the global leader in furnishing the work experience in office environments.”
 - vi. A *target market definition* tends to focus on selling a product or service to a current market.
 - vii. A *strategic market definition*, however, also focuses on the potential market.
- C) Crafting a Mission Statement
- i. Developed collaboratively with and shared with managers, employees, and often customers
 - ii. Provides a shared sense of purpose, direction, and opportunity
 - iii. Good mission statements have five major characteristics
 - 1. They focus on a limited number of goals
 - 2. They stress the company’s major policies and values
 - 3. They define the major competitive spheres within which the company will operate
 - 4. They take a long-term view
 - 5. They are short, memorable and meaningful as possible
 - iv. Mission statements can be used to define competitive territory and boundaries (e.g. Industry, Products and applications, Competence, Market segment, Vertical, Geographical)
- D) Strategic Business Units
- i. Established using three characteristics
 - 1. Single business or collection of related businesses that can be planned separately from the rest of the company
 - 2. Own set of competitors
 - 3. Manager responsible for strategic planning and profit performance and controls most factors affecting profit
 - ii. Resources assigned using shareholder value analysis; value assessed on potential of business based on growth opportunities from global expansion, positioning or retargeting and strategic outsourcing
 - iii. Growth assessment may result in new businesses, downsizing or terminating older businesses.
 - iv. Firms can fill a gap between future desired sales and projected sales via intensive opportunities, integrative opportunities, and diversification opportunities.
 - v. Intensive growth: within current businesses; product-market expansion grid is helpful
 - 1. Market-penetration strategy: more market share with current products in current markets
 - 2. Market-development strategy: develop new markets for current products
 - 3. Product-development strategy: develop new products for current markets
 - 4. Diversification strategy: develop new products for new markets
 - vi. Integrative growth: acquire related businesses
 - 1. Use backward, forward or horizontal integrations within the industry
 - 2. May not reach desired sales volume; challenges with

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1. Can we articulate the benefits convincingly to a defined target market(s)?
 2. Can we locate the target market(s) and reach them with cost-effective media and trade channels
 3. Does our company possess or have access to the critical capabilities and resources we need to deliver the customer benefits?
 4. Can we deliver the benefits better than any actual or potential competitors?
 5. Will the financial rate of return meet or exceed our required threshold for investment?
- iii. Environmental threat is a challenge posed by an unfavorable trend or development that, in the absence of defensive marketing action, would lead to lower sales
 - b. Internal analysis identifies strengths and weaknesses
- C. Goal formulation
- a. Goals are objectives that are specific with respect to magnitude and time
 - b. Management by objectives meets four criteria
 - i. They must be arranged hierarchically, from most to least important
 - ii. Objectives should be quantitative whenever possible
 - iii. Goals should be realistic
 - iv. Objectives must be consistent
 - c. Trade-offs include short-term profit versus long-term growth, deep penetration of existing markets versus development of new markets, profit goals versus nonprofit goals, and high growth versus low risk.
- D. Strategic formulation
- a. Strategy is a game plan for getting what you want to achieve
 - b. Porter's generic strategies
 - i. Overall cost leadership
 - ii. Differentiation
 - iii. Focus
 - c. Competing firms directing the same strategy to the same target market constitute a strategic group
 - d. There is a distinction between operational effectiveness and strategy: operationally effectiveness can be copied; strategy develops a unique and valuable position
 - e. Strategic alliances complement a firm's capabilities and resources
 - i. Product or service alliances
 - ii. Promotional alliances
 - iii. Logistics alliances
 - iv. Pricing alliances
 - f. Firms use partner relationship management to form and manage partnerships
- E. Program Formulation and Implementation
- a. Marketers must estimate their costs
 - b. Businesses need to nurture other stakeholders

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- c. Strategy is one of seven elements of business success:
 - i. Hardware: strategy, structure, and systems
 - ii. Software: style, skills, staff and shared values
 - F. Feedback and Control
 - a. Organizations need to keep up with changes in the environment
 - b. Organizations must adopt goals and behaviors to adjust to new marketing realities
- IV. The Nature and Contents of a Marketing Plan
 - A) A marketing plan is a written document that summarizes what the marketer has learned about the marketplace and indicates how the firm plans to meet its marketing objectives
 - i. Provides direction and focus for a brand, product or company
 - ii. Informs and motivates key constituents inside and outside an organization about its marketing goals and how these can be achieved
 - B) The most frequently cited shortcomings of current marketing plans, according to marketing executives, are lack of realism, insufficient competitive analysis, and a short-run focus
 - C) Here are some questions to ask in evaluating a marketing plan.
 - i. *Is the plan simple and succinct?* Is it easy to understand and act on? Does it communicate its content clearly and practically? Is it not unnecessarily long?
 - ii. *Is the plan complete?* Does it include all the necessary elements? Does it have the right breadth and depth? Achieving the right balance between completeness and lots of detail and simplicity and clear focus is often the key to a well-constructed marketing plan.
 - iii. *Is the plan specific?* Are its objectives concrete and measurable? Does it provide a clear course of action? Does it include specific activities, each with specific dates of completion, specific persons responsible, and specific budgets?
 - iv. *Is the plan realistic?* Are the sales goals, expense budgets, and milestone dates realistic? Has a frank and honest self-critique been conducted to raise possible concerns and objections?
 - D) Smaller businesses may create shorter or less formal marketing plans; corporations generally require highly structured documents.
 - E) A marketing plan usually contains the following sections
 - i. Executive summary and table of contents
 - ii. Situation analysis (relevant background data on sales, costs, the market, competitors and the macroenvironment)
 - iii. Marketing strategy (mission, marketing and financial objectives, needs the marketing offering is intended to satisfy and its competitive positioning)
 - iv. Marketing tactics (marketing activities that will be undertaken to execute the marketing strategy)
 - 1. The product or service offering section describes the key attributes and benefits that will appeal to target customers.
 - 2. The pricing section specifies the general price range and how it might vary across different types of customers or channels, including any incentive or discount plans.

3. The channel section outlines the different forms of distribution, such as direct or indirect.
4. The communications section usually offers high-level guidance about the general message and media strategy. Firms will often develop a separate communication plan to provide the detail necessary for agencies and other media partners to effectively design the communication program.
- v. Financial projections include a sales forecast, an expense forecast, and a break-even analysis.
 1. The break-even analysis estimates how many units the firm must sell monthly (or how many years it will take) to offset its monthly fixed costs and average per-unit variable costs
 2. Risk analysis obtains three estimates (optimistic, pessimistic, and most likely) for each uncertain variable affecting profitability, under an assumed marketing environment and marketing strategy for the planning period.
- vi. Implementation controls
 1. Outlines the controls for monitoring and adjusting implementation of the plan
 2. Spells out the goals and budget for each month or quarter so management can review each period's results and take corrective action as needed.
- F) The Role of Research
 - i. Up-to-date information is needed about the environment, competition and selected market segments
 - ii. Research helps marketers learn about customers' requirements, expectations, perceptions, satisfaction and loyalty
- G) The Role of Relationships
 - i. The marketing plan influences how marketing staff work with each other and with other departments to deliver value and satisfy customers
 - ii. The marketing plan affects how the company works with suppliers, distributors, and partners to achieve the plan's objectives

Sample Marketing Plan: Pegasus Sports International