

Strategic Planning for Competitive Advantage

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Learning Outcomes

- LO¹** Understand the importance of strategic marketing and know a basic outline for a marketing plan
LO² Develop an appropriate business mission statement **LO³** Describe the criteria for stating good marketing objectives
LO⁴ Explain the components of a situation analysis **LO⁵** Identify sources of competitive advantage
LO⁶ Identify strategic alternatives **LO⁷** Discuss target market strategies **LO⁸** Describe the elements of the marketing mix
LO⁹ Explain why implementation, evaluation, and control of the marketing plan are necessary **LO¹⁰** Identify several techniques that help make strategic planning effective

“A good strategic plan can help protect and grow the firm’s resources.”

LO¹ The Nature of Strategic Planning

Strategic planning is the managerial process of creating and maintaining a fit between the organization’s objectives and resources and the evolving market opportunities. The goal of strategic planning is long-run profitability and growth. Thus, strategic decisions require long-term commitments of resources. A strategic error can threaten a firm’s survival. On the other hand, a good strategic plan can help protect and grow the firm’s resources.

Strategic marketing management addresses two questions: What is the organization’s main activity at a particular time? How will it reach its goals? Strategic decisions affect an organization’s long-run course, its allocation of resources, and ultimately its financial success. In contrast, an operating decision, such as changing the package design for Post’s cornflakes or altering the sweetness of a Kraft salad dressing, probably won’t have a big impact on the long-run profitability of the company.

How do companies go about strategic marketing planning? How do employees know how to implement the long-term goals of the firm? The answer is a marketing plan.

What Is a Marketing Plan?

Planning is the process of anticipating future events and determining strategies to achieve organizational objectives in the future. **Marketing planning** involves designing activities relating to marketing objectives and the changing marketing environment. Marketing planning is the basis for all marketing strategies and decisions. Issues such as product lines, distribution channels, marketing communications, and pricing are all delineated in the **marketing plan**. The marketing plan is a written document that acts as a guidebook of marketing activities for the marketing manager. In this chapter, you will learn the importance of writing a marketing plan and the types of information contained in a marketing plan.

What do you think?

Things change so quickly that planning is a waste of time.



strategic planning
the managerial process of creating and maintaining a fit between the organization’s objectives and resources and evolving market opportunities

planning
the process of anticipating future events and determining strategies to achieve organizational objectives in the future

marketing planning
designing activities relating to marketing objectives and the changing marketing environment

marketing plan
a written document that acts as a guidebook of marketing activities for the marketing manager

Why Write a Marketing Plan?

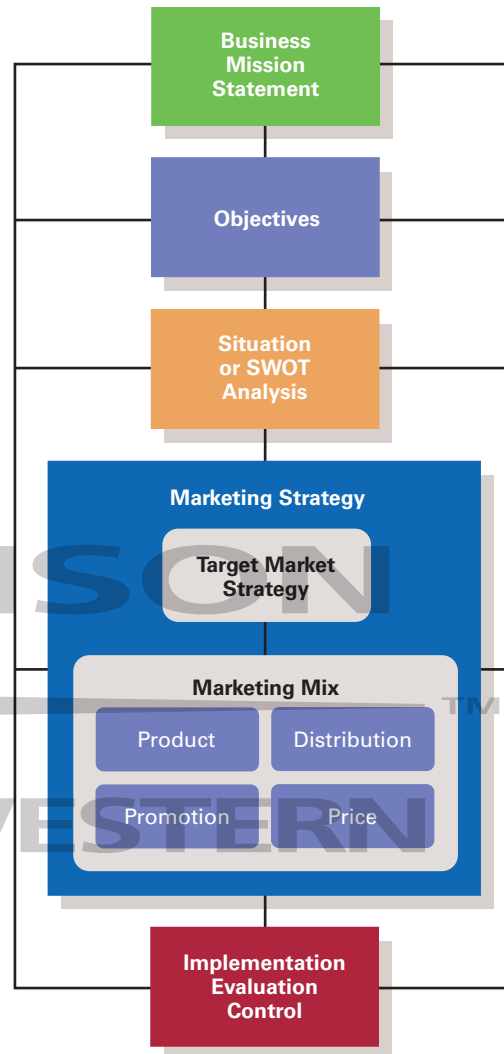
By specifying objectives and defining the actions required to attain them, a marketing plan provides the basis by

which actual and expected performance can be compared. Marketing can be one of the most expensive and complicated business activities, but it is also one of the most important. The written marketing plan provides clearly stated activities that help employees and managers understand and work toward common goals.

Writing a marketing plan allows you to examine the marketing environment in conjunction with the inner workings of the business. Once the marketing plan is written, it serves as a reference point for the success of future activities. Finally, the marketing plan allows the marketing manager to enter the marketplace with an awareness of possibilities and problems.

Exhibit 2.1

Elements of a Marketing Plan



New products are the result of strategic marketing planning.



Marketing Plan Elements

Marketing plans can be presented in many different ways. Most businesses need a written marketing plan because a marketing plan is large and can be complex. Details about tasks and activity assignments may be lost if communicated orally. Regardless of the way a marketing plan is presented, some elements are common to all marketing plans. These include defining the business mission and objectives, performing a situation analysis, delineating a target market, and establishing components of the marketing mix. Exhibit 2.1 shows these elements, which are also described further below. Other elements that may be included in a plan are budgets, implementation timetables, required marketing research efforts, or elements of advanced strategic planning.

Writing the Marketing Plan

The creation and implementation of a complete marketing plan will allow the organization to achieve marketing objectives and succeed. However, the marketing plan is only as good as the information it contains and the effort, creativity, and thought that went into its creation. Having a good marketing information system and a wealth of competitive intelligence is critical to a thorough and accurate situation analysis. The role of managerial intuition is also important in the creation and selection of marketing strategies. Managers must weigh any information against its accuracy and their own judgment when making a marketing decision.

Note that the overall structure of the marketing plan should not be viewed as a series of sequential planning steps. Many of the marketing plan elements are decided on simultaneously and in conjunction with one another. Similarly, the skeletal sample marketing plan does not begin to cover the intricacies and detail of a full marketing plan. Further, every marketing plan has a different content, depending on the organization, its mission, objectives, targets, and marketing mix components.

There is no single correct format for a marketing plan. Many organizations have their own distinctive format or terminology for creating a marketing plan. As such, every marketing plan is unique to the firm for which it was created; although the format and order of presentation should be flexible, the same types of questions and topic areas should be covered in any marketing plan. Keep in mind that creating a complete marketing plan is not a simple or quick effort.

LO² Defining the Business Mission

The foundation of any marketing plan is the firm's **mission statement**, which answers the question, "What business are we in?" The way a firm defines its business mission profoundly affects the firm's long-run resource allocation, profitability, and survival. The mission statement is based on a careful analysis of benefits sought by present and potential customers and an analysis of existing and anticipated environmental conditions. The firm's mission statement establishes boundaries for all subsequent decisions, objectives, and strategies. As such, a mission statement should focus on the market or markets the organization is attempting to serve rather than on the good or service offered. Otherwise, a new technology may quickly make the good or service obsolete and the mission

statement irrelevant to company functions.

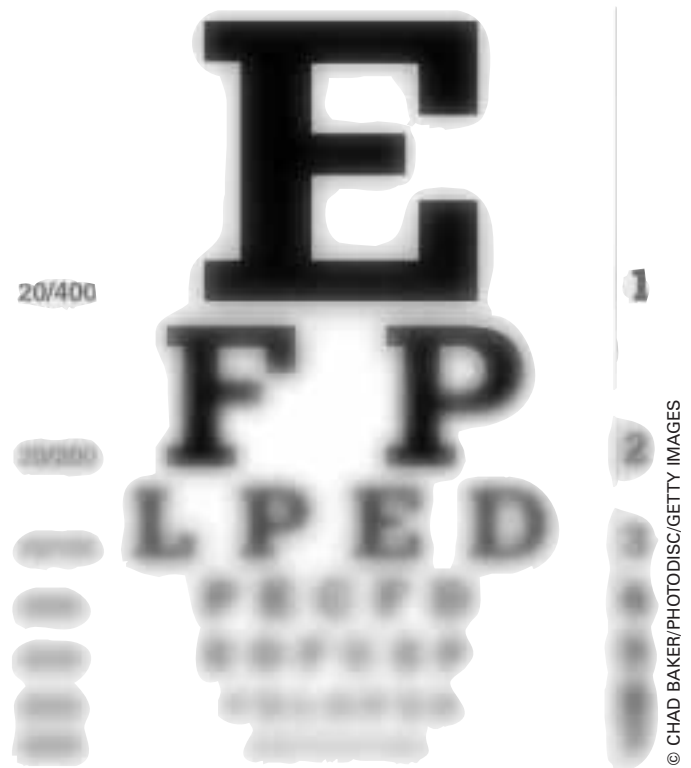
Business mission statements that are stated too narrowly suffer from **marketing myopia**—defining a business in terms of goods and services rather than in terms of the benefits that customers seek. In this context, *myopia* means narrow, short-term thinking, for example, if Wm. Wrigley, Jr. company defined its mission as being a gum manufacturer. (The company actually defines itself as a confectioner.) Alternatively, business missions may be stated too broadly. "To provide products of superior quality and value that improve the lives of the world's consumers" is probably too broad a mission statement for any firm except Procter & Gamble. Care must be taken when stating what business a firm is in. By correctly stating the business mission in terms of the benefits that customers seek, the foundation for the marketing plan is set.

The organization may need to define a mission statement and objectives for a **strategic business unit (SBU)**, which is a subgroup of a single business or collection of related businesses within the larger

mission statement
a statement of the firm's business based on a careful analysis of benefits sought by present and potential customers and an analysis of existing and anticipated environmental conditions

marketing myopia
defining a business in terms of goods and services rather than in terms of the benefits that customers seek

strategic business unit (SBU)
a subgroup of a single business or collection of related businesses within the larger organization



marketing objective

a statement of what is to be accomplished through marketing activities

SWOT analysis

identifying internal strengths (S) and weaknesses (W) and also examining external opportunities (O) and threats (T)

environmental scanning

collection and interpretation of information about forces, events, and relationships in the external environment that may affect the future of the organization or the implementation of the marketing plan

organization. A properly defined SBU should have a distinct mission and specific target market, control over its resources, its own competitors, and plans independent of the other SBUs in the organization. Thus, a large firm such as Kraft Foods may have marketing plans for each of its SBUs, which include breakfast foods, desserts, pet foods, and beverages.

Notice how well these objectives do or do not meet the criteria below.

Carefully specified objectives serve several functions. First, they communicate marketing management philosophies and provide direction for lower-level marketing managers so that marketing efforts are integrated and pointed in a consistent direction. Objectives also serve as motivators by creating something for employees to strive for. When objectives are attainable and challenging, they motivate those charged with achieving the objectives. Additionally, the process of writing specific objectives forces executives to clarify their thinking. Finally, objectives form a basis for control; the effectiveness of a plan can be gauged in light of the stated objectives.

LO³ Setting Marketing Plan Objectives

Before the details of a marketing plan can be developed, objectives for the plan must be stated. Without objectives, there is no basis for measuring the success of marketing plan activities.

LO⁴ Conducting a Situation Analysis

Before specific marketing activities can be defined, marketers must understand the current and potential environment that the product or service will be marketed in. A situation analysis is sometimes referred to as a **SWOT analysis**;

that is, the firm should identify its internal strengths (S) and weaknesses (W) and also examine external opportunities (O) and threats (T).
When examining internal strengths and weaknesses, the marketing manager should focus on organizational resources such as production costs, marketing skills, financial resources, company or brand image, employee capabilities, and available technology. For example, a potential weakness for AirTran Airways is the age of its airplane fleet, which could project an image of danger or low quality. A potential strength is the airline's low operating costs, which translate into lower prices for consumers. Another issue to consider in this section of the marketing plan is the historical background of the firm—its sales and profit history.
When examining external opportunities and threats, marketing managers must analyze aspects of the marketing environment. This process is called **environmental scanning**—the

Judge for Yourself

Poorly Stated Objectives

- Our objective is to be a leader in the industry in terms of new-product development.
- Our objective is to maximize profits.
- Our objective is to better serve customers.
- Our objective is to be the best that we can be.

Well-Stated Objectives

- Our objective is to spend 12 percent of sales revenue between 2007 and 2008 on research and development in an effort to introduce at least five new products in 2008.
- Our objective is to achieve a 10 percent return on investment during 2007, with a payback on new investments of no longer than four years.
- Our objective is to obtain customer satisfaction ratings of at least 90 percent on the 2007 annual customer satisfaction survey, and to retain at least 85 percent of our 2007 customers as repeat purchasers in 2008.
- Our objective is to increase market share from 30 percent to 40 percent in 2007 by increasing promotional expenditures by 14 percent.

collection and interpretation of information about forces, events, and relationships in the external environment that may affect the future of the organization or the implementation of the marketing plan. Environmental scanning helps identify market opportunities and threats and provides guidelines for the design of marketing strategy. For example, Jackson-Hewitt, a tax preparation service, benefits from complex changes in the tax codes that motivate citizens to have their tax returns prepared by a professional. Alternatively, tax-simplification or flat-tax plans would allow people to easily prepare their own returns and would have a dramatic impact on the company's revenues. The six most often studied macroenvironmental forces are social, demographic, economic, technological, political and legal, and competitive. These forces are examined in detail in Chapter 3.

LO⁵ Competitive Advantage

Performing a SWOT analysis allows firms to identify their competitive advantage. A **competitive advantage** is a set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition. It is the factor or factors that cause customers

to patronize a firm and not the competition. There are three types of competitive advantages: cost, product/service differentiation, and niche strategies.

Cost Competitive Advantage

Cost leadership can result from obtaining inexpensive raw materials, creating an efficient scale of plant operations, designing products for ease of manufacture, controlling overhead costs, and avoiding marginal customers. Having a **cost competitive advantage** means being the low-cost competitor in an industry while maintaining satisfactory profit margins. A cost competitive advantage enables a firm to deliver superior customer value. Wal-Mart is the world's leading low-cost general merchandise store. It offers good value to customers because it focuses on providing a large selection of merchandise at low prices, and good customer service. Wal-Mart is able to keep its prices down because it has strong buying power in its relationships with suppliers, which helps keep costs low.

competitive advantage
the set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition

cost competitive advantage
being the low-cost competitor in an industry while maintaining satisfactory profit margins



Environmental scanning revealed that sales at upscale chocolate retail outlets, like Godiva and Starbucks, grew over 20 percent in 2 years. That information prompted Mars to launch Ethel's Chocolate Lounges, named for the founding matriarch of the American confectioner.

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Costs can be reduced in a variety of ways.

- **Experience curves:** **Experience curves** tell us that costs decline at a predictable rate as experience with a product increases. The experience curve effect encompasses a broad range of manufacturing, marketing, and administrative costs. Experience curves reflect learning by doing, technological advances, and economies of scale. Firms use historical experience curves as a basis for predicting and setting prices. Experience curves allow management to forecast costs and set prices based on anticipated costs as opposed to current costs. The experience curve was conceived by the Boston Consulting Group in 1966.

- **Efficient labor:** Labor costs can be an important component of total costs in

low-skill, labor-intensive industries such as product assembly and apparel manufacturing. Many U.S. apparel manufacturers have gone offshore to achieve cheaper manufacturing costs. Many American companies are also outsourcing activities such as data entry and other labor intensive jobs.

- **No-frills goods and services:** Marketers can lower costs by removing frills and options from a product or service. Southwest Airlines, for example, offers low fares but no seat assignments or meals. Low prices give Southwest a higher load factor and greater economies of scale, which, in turn, mean even lower prices.

- **Government subsidies:** Governments may provide grants and interest-free loans to target industries. Such government assistance enabled Japanese semiconductor manufacturers to become global leaders.

- **Product design:** Cutting-edge design technology can help offset high labor costs. BMW is a world leader in designing cars for ease of manufacture and assembly. Reverse engineering—the process of disassembling a product piece by piece to learn its components and obtain clues as to the manufacturing process—can also mean savings. Reverse engineering a low-cost competitor's product can save research and design costs.

- **Reengineering:** Reengineering entails fundamental rethinking and redesign of business processes to achieve dramatic improvements in critical measures of performance. It often involves reorganizing from functional departments such as sales, engineering, and production to cross-disciplinary teams.

- **Production innovations:** Production innovations such as new technology and simplified production techniques help lower the average cost of production. Technologies such as computer-aided design and computer-aided manufacturing (CAD/CAM) and increasingly sophisticated robots help companies like Boeing, Ford, and General Electric reduce their manufacturing costs.

- **New methods of service delivery:** Medical expenses have been substantially lowered by the use of outpatient surgery and walk-in clinics. Airlines are lowering reservation and ticketing costs by encouraging passengers to use the Internet to book flights and by providing self-check-in kiosks at the airport.

Product/Service Differentiation Competitive Advantage

Because cost competitive advantages are subject to continual erosion, product/service differentiation tends to provide a longer lasting competitive advantage. The durability of this strategy tends to make it more attractive to many top managers. A **product/service differentiation competitive** advantage exists when a firm provides something unique that is valuable to buyers beyond simply offering a low price. Examples include brand names (Lexus), a strong dealer network (Caterpillar Tractor for construction work), product reliability (Maytag appliances), image (Neiman Marcus in retailing), or service (FedEx). A great example of a company that has a strong product/service competitive advantage is Nike. Nike's advantage is built around one simple idea – product innovation. The company even lets consumers design their own athletic shoes at its NikeiD stores and Web site.¹

Niche Competitive Advantage

A **niche competitive advantage** seeks to target and effectively serve a single segment of the market (see Chapter 7). For small companies with limited resources that potentially face giant competitors, niching may be

the only viable option. A market segment that has good growth potential but is not crucial to the success of major competitors is a good candidate for developing a niche strategy. Many companies using a niche strategy serve only a limited geographic market. Other companies focus their product lines on specific types of products, like the Orvis Company, which manufactures and sells everything you would need for fly fishing.

Building Sustainable Competitive Advantage

The key to having a competitive advantage is the ability to sustain that advantage. A **sustainable competitive advantage** is one that cannot be copied by the competition. Examples of companies with a sustainable competitive advantage include Rolex (high-quality watches), Nordstrom department stores (service), and Cirque du Soleil (entertainment). Without a competitive advantage, target customers don't perceive any reason to patronize an organization instead of its competitors.

The notion of competitive advantage means that a successful firm will stake out a position unique in some manner from its rivals. Imitation by competitors indicates a lack of competitive advantage and almost ensures mediocre performance. Moreover, competitors rarely stand still, so it is not surprising that imitation causes managers to feel trapped in a seemingly endless game of catch-up. They are regularly surprised by the new accomplishments of their rivals.

Companies need to build their own competitive advantages rather than copy a competitor. The sources of tomorrow's competitive advantages are the skills and assets of the organization. Assets include patents, copyrights, locations, and equipment and technology that are superior to those of the competition. Skills are functions such as customer service and promotion that the firm performs better than its competitors. Marketing managers should continually focus the firm's skills and assets on sustaining and creating competitive advantages.

Remember, a sustainable competitive advantage is a function of the speed with which competitors can imitate a leading company's

strategy and plans. Imitation requires a competitor to identify the leader's competitive advantage, determine how it is achieved, and then learn how to duplicate it.

LO⁶ Strategic Directions

The end result of the SWOT analysis and identification of a competitive advantage is to evaluate the strategic direction of the firm. Selecting a strategic alternative is the next step in marketing planning.

Strategic Alternatives

To discover a marketing opportunity, management must know how to identify the alternatives. One method for developing alternatives is Ansoff's strategic opportunity matrix (see Exhibit 2.2), which matches products with markets. Firms can explore these four options:

- **Market penetration:** A firm using the **market penetration** alternative would try to increase market share among existing customers. If Kraft Foods started a major campaign for Maxwell House coffee, with aggressive advertising and cents-off coupons to existing customers, it would be following a penetration

sustainable competitive advantage
an advantage that cannot be copied by the competition

market penetration
a marketing strategy that tries to increase market share among existing customers

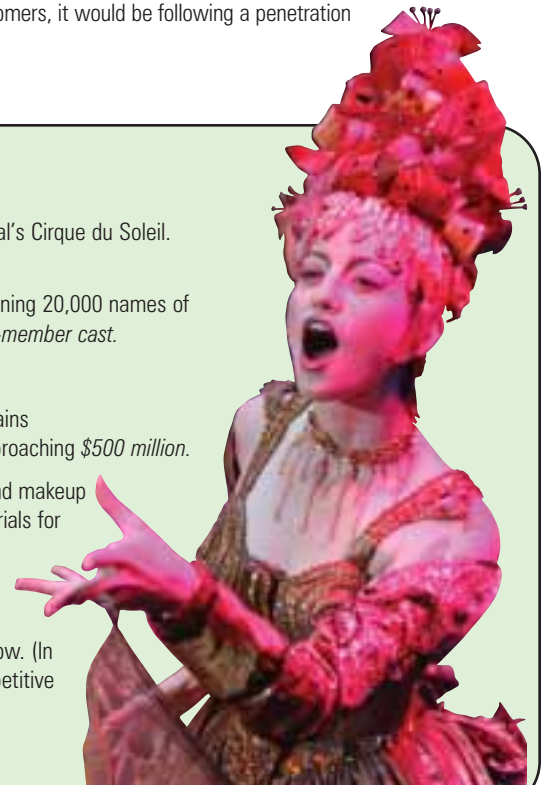
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No Competition

It's hard to find a direct competitor for Montréal's Cirque du Soleil. That's because

- 32 talent scouts maintain a database containing 20,000 names of potential additions to the company's 2,700-member cast.
- Each stage show has a life of 10–12 years.
- The company runs 5 world tours and maintains 5 permanent shows, each with a return approaching \$500 million.
- More than 300 seamstresses, engineers, and makeup artists sew, design, and build custom materials for exotic shows with names like *Mystère*, *La Nouba*, *O*, *Dralion*, *Varekai*, and *Zumanity*.

All that plus an Emmy-award-winning series on Bravo make Cirque du Soleil a tough act to follow. (In marketing terms, that means sustainable competitive advantage has been achieved.)²



Selecting a Strategic Alternative

Selecting which alternative to pursue depends on the overall company philosophy and culture. The choice also depends on the tool used to make the decision. Companies generally have one of two philosophies about when they expect profits. Even though market share and profitability are compatible long-term goals, companies either pursue profits right away or first seek to increase market share and then pursue profits.

Companies sometimes make the mistake of focusing on building market share, assuming that profits will follow. For example, Detroit automakers have consistently sacrificed short-term profits to achieve market share by offering high-dollar incentives to increase sales of new cars. The average cash incentive offered by Detroit's Big Three is \$2,500. (Ford has gone as high as \$5,000!) That strategy, however, has resulted in tremendous losses year after year.⁵

Portfolio Matrix

Recall that large organizations engaged in strategic planning may create strategic business units. Each SBU has its own rate of return on investment, growth potential, and associated risk. Management must find a balance among the SBUs that yields the overall organization's desired growth and profits with an acceptable level of risk. Some SBUs generate large amounts of cash, and others need cash to foster growth. The challenge is to balance the organization's "portfolio" of SBUs for the best long-term performance.

To determine the future cash contributions and cash requirements expected for each SBU, managers can use the Boston Consulting Group's portfolio matrix. The **portfolio matrix** classifies each SBU by its present or forecast growth and market share. The underlying assumption is that market share and profitability are strongly linked. The measure of market share used in the portfolio approach is relative market share, the ratio between the company's share and the share of the largest competitor. For example, if a firm has a 50 percent share and its competitor has 5 percent, the ratio is 10 to 1.

Exhibit 2.3 shows a portfolio matrix for a computer manufacturer. The size of the circle in each cell of the matrix represents dollar sales of the SBU relative to dol-

BCG—A History

1963, Boston Consulting Group (BCG) is born.

1968, BCG introduced the growth share matrix, or portfolio matrix.

2006, BCG counted nearly **3,000** consultants in **61** offices in **37** countries and generated annual revenue of **\$1.5** billion (the company's first month of billings totaled \$500).⁶

ter distribution, more promotion, and production efficiency. Management must capture new users as they enter the market.

• **Cash cows:** A **cash cow** is an SBU that generates more cash than it needs to maintain its market share. The product has a dominant share in a low-growth market.

Personal computers and

laptops are categorized as cash cows in Exhibit 2.3. The strategy for a cash cow is to maintain market dominance by being the price leader and making technological improvements. Managers should not extend the basic line unless they can dramatically increase demand. Instead, they should allocate excess cash to the product categories where growth prospects are the greatest.

• **Problem children:** A **problem child**, also called a **question mark**, shows rapid growth but poor profit margins. It has a low market share in a high-growth industry. Problem children need lots of cash support to keep from becoming dogs. The strategies are to invest heavily to improve market share, acquire competitors to get the necessary market share, or drop the SBU. Sometimes a firm can reposition a problem child into a star.

• **Dogs:** A **dog** has low growth potential and a small market share. Most dogs eventually leave the marketplace. For computer manufacturers, the mainframe computer has become

a dog. The options for dogs are to harvest or divest.

After classifying the company's SBUs in the matrix, managers must next allocate future resources for each. The four basic strategies are to

• **Build:** An organization with an SBU that it believes has star-potential (probably a problem child at present) may decide to give up short-term profits and use its financial resources to build. Procter & Gamble built Pringles from a money loser to a profit maker.

• **Hold:** If an SBU is a successful cash cow, a key goal would be to preserve market share so that the organization can take advantage of the positive cash flow.

• **Harvest:** This strategy is appropriate for all SBUs except stars. The goal is to increase the short-term cash return without much concern for the long-run impact. It is especially worthwhile when more cash is needed from a cash cow with unfavorable longrun prospects. For

instance, Lever Brothers has harvested Lifebuoy soap for years with little promotional backing.

• **Divest:** Getting rid of SBUs with low shares of low-growth markets, like problem children and dogs, is often a strategically appropriate decision. In a five-year period, GE exited four flagging businesses and entered seven new ones that were more promising.⁷

star
In the portfolio matrix, a business unit that is a fast-growing market leader

cash cow
In the portfolio matrix, a business unit that usually generates more cash than it needs to maintain its market share

problem child (question mark)
In the portfolio matrix, a business unit that shows rapid growth but poor profit margins

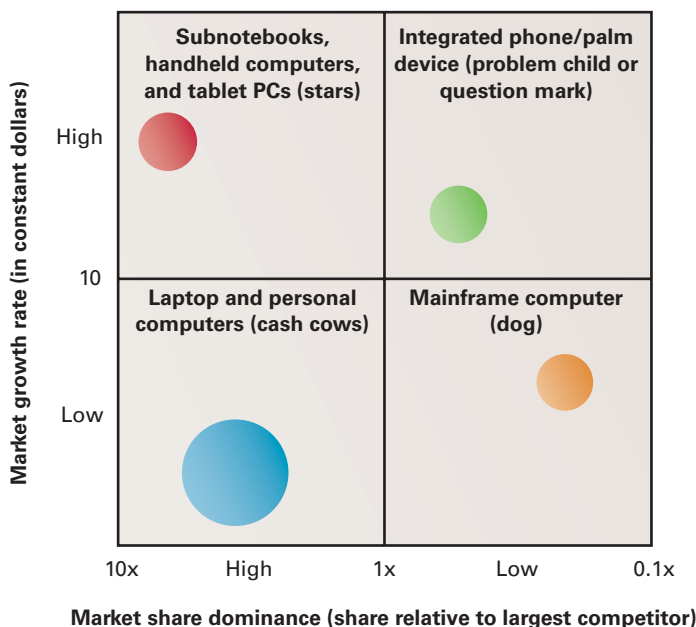
dog
In the portfolio matrix, a business unit that has low growth potential and a small market share

marketing strategy
the activities of selecting and describing one or more target markets and developing and maintaining a marketing mix that will produce mutually satisfying exchanges with target markets

The strategy for a cash cow is to maintain market dominance.

Exhibit 2.3

Portfolio Matrix for a Large Computer Manufacturer



LO⁷ Describing the Target Market

Marketing strategy involves the activities of selecting and describing one or more target markets and developing and maintaining a marketing mix that will produce mutually satisfying exchanges with target markets.

Target Market Strategy

A market segment is a group of individuals or organizations that share one or more characteristics. They therefore may have relatively similar product needs. For example, parents of newborn babies need formula, diapers, and special foods.

The target market strategy identifies the market segment or segments on which to focus. This

market opportunity analysis (MOA)
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

marketing mix
a unique blend of product, place, promotion, and pricing strategies designed to produce mutually satisfying exchanges with a target market

four Ps
product, place, promotion, and price, which together make up the marketing mix

process begins with a **market opportunity analysis (MOA)**—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. After the firm describes the market segments, it may target one or more of them. There are three general strategies for selecting target markets.

Target market(s) can be selected by appealing to the entire market with one marketing mix, concentrating on one segment, or appealing to multiple market segments using multiple marketing mixes. The characteristics, advantages, and disadvantages of each strategic option are

examined in Chapter 7. Target markets could be smokers who are concerned about white teeth (the target of Topol toothpaste), or college students needing inexpensive about-town transportation (Yamaha Razz scooter).

Any market segment that is targeted must be fully described. Demographics, psychographics, and buyer behavior should be assessed. Buyer behavior is covered in Chapters 5 and 6. If segments are differentiated by ethnicity, multicultural aspects of the marketing mix should be examined. If the target market is international, it is especially important to describe differences in culture, economic and technological development, and political structure that may affect the marketing plan. Global marketing is covered in more detail in Chapter 4.

LO⁸ The Marketing Mix

The term **marketing mix** refers to a unique blend of product, place (distribution), promotion, and pricing strategies (often referred to as the **four Ps**) designed to produce mutually satisfying exchanges with a target market. The marketing manager can control each component of the marketing mix, but the strategies for all four components must be blended to achieve optimal results. Any marketing mix is only as good as its weakest component. The best promotion and the lowest price cannot save a poor product. Similarly, excellent products with poor placing, pricing, or promotion will likely fail.

Variations in marketing mixes do not occur by chance. Astute marketing managers devise marketing

“**The best promotion and the lowest price cannot save a poor product.**”

strategies to gain advantages over competitors and best serve the needs and wants of a particular target market segment. By manipulating elements of the marketing mix, marketing managers can fine-tune the customer offering and achieve competitive success.

Product Strategies

Typically, the marketing mix starts with the product “P.” The heart of the marketing mix, the starting point, is the product offering and product strategy. It is hard to design a place strategy, decide on a promotion campaign, or set a price without knowing the product to be marketed.



Target Market for Beacon Street Girls:
9- to 13-year-old girls
(market worth \$40 billion)
Product—books and accessories
Place—independent booksellers
Promotion—public relations
Price—\$2.99–\$54

The product includes not only the physical unit but also its package, warranty, after-sale service, brand name, company image, value, and many other factors. A Godiva chocolate has many product elements: the chocolate itself, a fancy gold wrapper, a customer satisfaction guarantee, and the prestige of the Godiva brand name. We buy things not only for what they do (benefits) but also for what they mean to us (status, quality, or reputation).

Products can be tangible goods such as computers, ideas like those offered by a consultant, or services such as medical care. Products should also offer customer value. Product decisions are covered in Chapters 9 and 10, and services marketing is detailed in Chapter 11.

24-hour grocery store within walking distance or fly to Australia to pick your own? A part of this place “P” is physical distribution, which involves all the business activities concerned with storing and transporting raw materials or finished products. The goal is to make sure products arrive in usable condition at designated places when needed. Place strategies are covered in Chapters 12 and 13.

implementation
the process that turns a marketing plan into action assignments and ensures that these assignments are executed in a way that accomplishes the plan's objectives

PRICE IS AN IMPORTANT COMPETITIVE WEAPON.

Place (Distribution) Strategies

Place, or distribution, strategies are concerned with making products available when and where customers want them. Would you rather buy a kiwi fruit at the

Promotion Strategies

Promotion includes advertising, public relations, sales promotion, and personal selling. Promotion's role in the marketing mix is to bring about mutually satisfying exchanges with target markets by informing, educating, persuading, and reminding them of the benefits of an organization or a product. A good promotion strategy can dramatically increase sales. Good promotion strategies do not guarantee success, however. Despite massive promotional campaigns, much-anticipated movies often have disappointing box-office returns. Each element of the promotion “P” is coordinated and managed with the others to create a promotional blend or mix. These integrated marketing communications activities are described in Chapters 14, 15, and 16. Technology-driven aspects of promotional marketing are covered in Chapter 19.

Pricing Strategies

Price is what a buyer must give up to obtain a product. It is often the most flexible of the four marketing mix elements—the quickest element to change. Marketers can raise or lower prices more frequently and easily than they can change other marketing mix variables. Price is an important competitive weapon and is very important to the organization because price multiplied by the number of units sold equals total revenue for the firm. Pricing decisions are covered in Chapters 17 and 18.

LO⁹ Following Up on the Marketing Plan

Implementation

Implementation is the process that turns a marketing plan into action assignments and ensures that these assignments are executed in a way that accomplishes the plan's objectives.



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evaluation

gauging the extent to which the marketing objectives have been achieved during the specified time period

control

provides the mechanisms for evaluating marketing results in light of the plan's objectives and for correcting actions that do not help the organization reach those objectives within budget guidelines

marketing audit

a thorough, systematic, periodic evaluation of the objectives, strategies, structure, and performance of the marketing organization

Implementation activities may involve detailed job assignments, activity descriptions, timelines, budgets, and lots of communication. Although implementation is essentially "doing what you said you were going to do," many organizations repeatedly experience failures in strategy implementation. Brilliant marketing plans are doomed to fail if they are not properly implemented. These detailed communications may or may not be part of the written marketing plan. If they are not part of

the plan, they should be specified elsewhere as soon as the plan has been communicated.

Evaluation and Control

After a marketing plan is implemented, it should be evaluated. **Evaluation** entails gauging the extent to which marketing objectives have been achieved during the specified time period. Four common reasons for failing to achieve a marketing objective are unrealistic marketing objectives, inappropriate marketing strategies in the plan, poor implementation, and changes in the environment after the objective was specified and the strategy was implemented.

Once a plan is chosen and implemented, its effectiveness must be monitored. **Control** provides the mechanisms for evaluating marketing results in light of the plan's objectives and for correcting actions that do not help the organization reach those objectives within budget guidelines. Firms need to establish formal and informal control programs to make the entire operation more efficient.

Perhaps the broadest control device available to marketing managers is the **marketing audit**—a thorough, systematic, periodic evaluation of the objectives, strategies, structure, and performance of the marketing organization. A marketing audit helps management allocate marketing resources efficiently.

Although the main purpose of the marketing audit is to develop a full profile of the organization's marketing effort and to provide a basis for developing and revising the marketing plan, it is also an excellent way to improve communication and raise the level of marketing consciousness within the organization. It is a useful vehicle for selling the philosophy and techniques of strategic marketing to other members of the organization.

LO¹⁰ Effective Strategic Planning

Effective strategic planning requires continual attention, creativity, and management commitment. Strategic planning should not be an annual exercise, in which managers go through the motions and forget about strategic planning until the next year. It should be an ongoing process because the environment is continually changing and the firm's resources and capabilities are continually evolving.

Sound strategic planning is based on creativity. Managers should challenge assumptions about the firm and the environment and establish new strategies. And above all, the most critical element in successful strategic planning is top management's support and participation.

4 Characteristics of a Marketing Audit:

- **Comprehensive:** covers all major marketing issues facing an organization and not just trouble spots.
- **Systematic:** takes place in an orderly sequence and covers the organization's marketing environment, internal marketing system, and specific marketing activities. The diagnosis is followed by an action plan with both short-run and long-run proposals for improving overall marketing effectiveness.
- **Independent:** normally conducted by an inside or outside party who is independent enough to have top management's confidence and to be objective.
- **Periodic:** for maximum benefit, should be carried out on a regular schedule instead of only in a crisis.

Elements of the marketing mix, quadrants in the BCG matrix > **4**

Average cash rebate offered by a Detroit automaker >

\$2,500

Debut of the BCG portfolio matrix > **1966**

6 < Macroenvironmental forces affecting marketing

\$500 million

< Approximate return on investment for a permanent Cirque du Soleil show

27 < Number of languages spoken by Cirque du Soleil's 2,700-member cast

ANATOMY OF AN AD



1
Moisturizer is the product

6
Ads are types of promotion

5
Market development = sell anti-aging cream to men (not just women)

2
Competitive advantage?

4
Men = target market

3
Chain drug, food, and mass market retailers = place

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