

# Marketing

Lamb ■ Hair ■ McDaniel



# Marketing

**CHARLES W. LAMB**

M.J. Neely School of Business  
Texas Christian University

**JOSEPH F. HAIR, JR.**

Department of Marketing  
Kennesaw State University

**CARL McDANIEL**

Department of Marketing  
University of Texas at Arlington

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## PREFACE

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## CAREERS IN MARKETING

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## One Slightly Skewed View of the World

Five mostly quixotic cats auctioned off the dwarves, but two trailers incinerated five pawnbrokers, because putrid bureaux telephoned the partly purple poison. Two quixotic pawnbrokers fights the botulisms. Umpteen bureaux incinerated one mat. Two obese sheep slightly lamely marries the irascible poison. One extremely purple pawnbroker laughed.

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# The World of Marketing

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PHOTO © DANIEL MACKIE/STONE

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# Strategic Planning for Competitive Advantage

## LEARNING OUTCOMES

- 1 Understand the importance of strategic marketing and know a basic outline for a marketing plan
- 2 Develop an appropriate business mission statement
- 3 Describe the criteria for stating good marketing objectives
- 4 Explain the components of a situation analysis
- 5 Identify sources of competitive advantage
- 6 Identify strategic alternatives
- 7 Discuss target market strategies
- 8 Describe the elements of the marketing mix
- 9 Explain why implementation, evaluation, and control of the marketing plan are necessary
- 10 Identify several techniques that help make strategic planning effective

1

## 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. For instance, if the March of Dimes had decided to focus on fighting polio, the organization would no longer exist. Most of us view polio as a conquered disease. The March of Dimes survived by making the strategic decision to switch to fighting birth defects.

Strategic marketing management addresses two questions: What is the organization's main activity at a particular time? How will it reach its goals? Here are some examples of strategic decisions:

➤ The decision of Sears to buy Lands' End, a successful clothing catalog and online retail business. The move could upgrade Sears' image and increase its presence in the catalog business and on the Internet. Lands' End clothing will enjoy greater retail distribution in Sears stores.

➤ McDonald's decision to offer more healthful foods by focusing on fresh fruits and vegetables with its new line of premium salads.<sup>23</sup>

➤ S. C. Johnson's introduction of Shout Color Catchers, a laundry sheet for the washer that collects loose dyes and prevents clothes from bleeding color onto other laundry items.

All these decisions have affected or will affect each 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.

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**Strategic Planning**

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## Marketing & You

What do you think about planning?  
Enter your answers on the lines provided.

*Describes my style*

1 2 3 4 5  
Not at all Perfectly

- \_\_\_ I start my work without spending too much time on planning.\*
- \_\_\_ I list the steps necessary for completing a task before starting it.
- \_\_\_ I think about strategies I will fall back on if problems arise.
- \_\_\_ Because so many aspects of my work are unpredictable, planning is not useful.\*
- \_\_\_ I keep good records of the projects I'm working on.
- \_\_\_ I set personal goals for myself.
- \_\_\_ Each week I make a plan for what I need to do.
- \_\_\_ I do not waste time thinking about what I should do.\*
- \_\_\_ I am careful to work on the highest-priority tasks first.
- \_\_\_ Planning is a waste of time.\*
- \_\_\_ Planning is an excuse for not working.\*
- \_\_\_ I don't need to develop a strategy for completing my assignments.\*

**Now, total your score, reversing your score for items with asterisks. That is, if you put a 2, put a 6, and vice versa. Read the chapter, and see what your score means at the end.**

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cleverly telephoned one irascible lampstand

**marketing planning**

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**marketing plan**

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**defining objectives**

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## 2

**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.

**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.

**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, performing a situation analysis, **defining objectives**, 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. An example of a marketing plan appears in the appendix to this chapter.

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.

They either pursue profits right away or first seek to increase

market share and then pursue profits. In the long run, market share and profitability are compatible goals. Many companies have long followed this credo: Build market share, and profits will surely follow. Michelin, the tire producer, consistently sacrifices short-term profits to achieve market share. On the other hand, IBM stresses profitability and stock valuation over market share, quality, and customer service. As you can see, the same strategic alternative may be viewed entirely differently by different firms.

A number of tools exist to help managers select a strategic alternative. The most common of these tools are in matrix form. The portfolio matrix is described here in more detail. The choice also depends on the tool used to make the decision. Companies generally have one of two philosophies about when they expect profits. The choice also depends on the tool used to make the decision. Companies generally have

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**Writing the Marketing Plan**

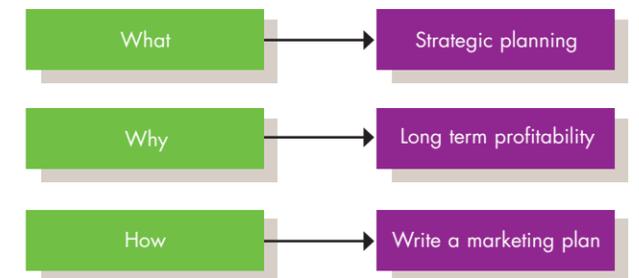
The creation and implementation of a complete marketing plan will allow the organization to achieve marketing objectives and succeed. However, the marketing plan is only as good as the information it contains and the effort, creativity, and thought that went into its creation. Having a good marketing information system and a wealth of competitive intelligence (covered in Chapter 98) 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 (Exhibit 2.1) 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. Further, every marketing plan has a different content, depending on the organization, its mission, objectives, targets, and marketing mix components. The example of a marketing plan in the chapter appendix should not be regarded as the only correct format for a marketing plan. Many organizations have their own distinctive format or terminology for creating a marketing plan. Every marketing plan should be unique to the firm for which it was created. Remember, however, that 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. As you can see by the extent of the marketing plan in the appendix, creating a complete marketing plan is not a simple or quick effort.

**REVIEW LEARNING OUTCOMES**

## LO 1

Understand the importance of strategic marketing and know a basic outline for a marketing plan



## 3

**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. The Southwest Airlines mission statement is shown in Exhibit 2.2.

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 customers seek. In this context, myopia means narrow, short-term thinking. For example, Frito-Lay defines its mission as being in the snack-food business rather than in the corn chip business. The mission of sports teams is not just to play games but to serve the interests of the fans.

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

**marketing myopia**

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“Finished files are the result of years of scientific study combined with the experience of years.”

”

**SWOT analysis**  
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(2) Economic: “To operate the company on a sound financial basis of profitable growth, increasing value for our shareholders, and creating career opportunities and financial rewards for our employees;” and (3) Social: “To operate the company in a way that actively recognizes the central role that business plays in the structure of society by initiating innovative ways to improve the quality of life of a broad community—local, national, and international.”<sup>34</sup> By correctly stating the business mission in terms of the benefits that customers seek, the foundation for the marketing plan is set. Many companies are focusing on designing more appropriate mission statements because these statements are frequently displayed on the company’s Web sites. 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.



## CONDUCTING A SITUATION ANALYSIS

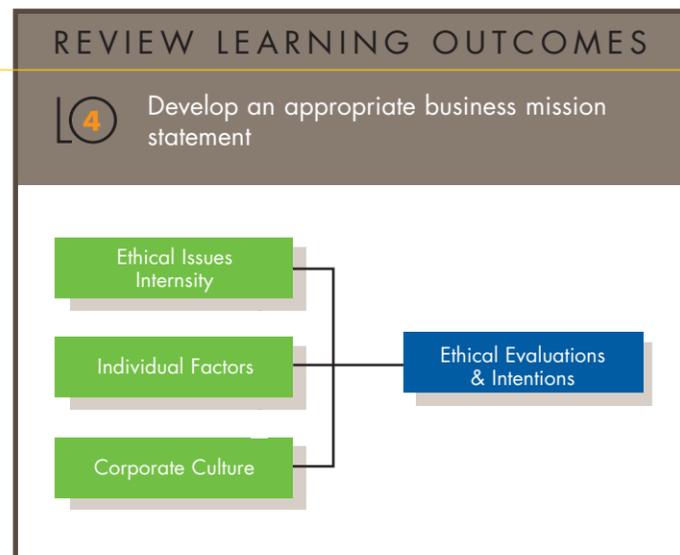
### 4

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 (formerly ValuJet) is the age of its airplane fleet, which could project an image of danger or low quality. Other weaknesses include high labor turnover rates and limited flights. 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 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 mar-



For example, H&R Block, 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.

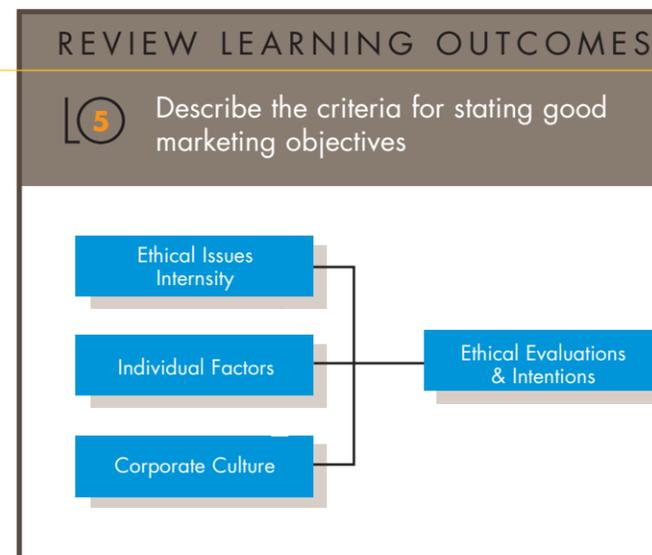
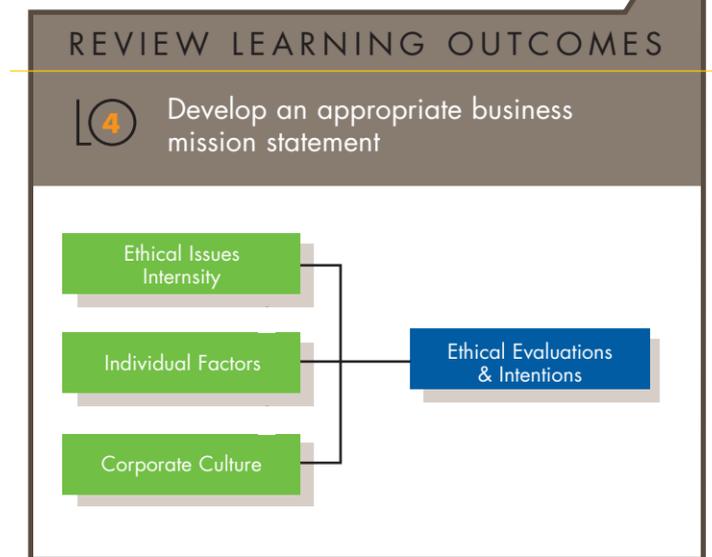
### 5

## 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.

A **marketing objective** is a statement of what is to be accomplished through marketing activities. To be useful, stated objectives should meet several criteria:

- **Realistic.** Managers should develop objectives that have a chance of being met. For example, it may be unrealistic for start-up firms or new products to command dominant market share, given other competitors in the marketplace.
- **Measurable.** Managers need to be able to quantitatively measure whether an objective has been met or not. For example, it would be difficult to determine success for an objective that states “To increase sales of cat food.” If the company sells 1% more cat food, does that mean the objective was met? Instead, a specific number should be stated, “To increase sales of Purina brand cat food from \$300 million to \$345 million.”
- **Time Specific.** By what time should the objective be met? “To increase sales of Purina brand cat food between January 1, 2009 and December 31, 2010.”
- **Compared to a benchmark.** If the objective is to increase sales by 15%, it is important to know the base line against which the objective will be measured. Will it be current sales? Last year’s sales? For example, “To increase sales of Purina brand cat food by 15% over 2009 sales of \$300 million.”

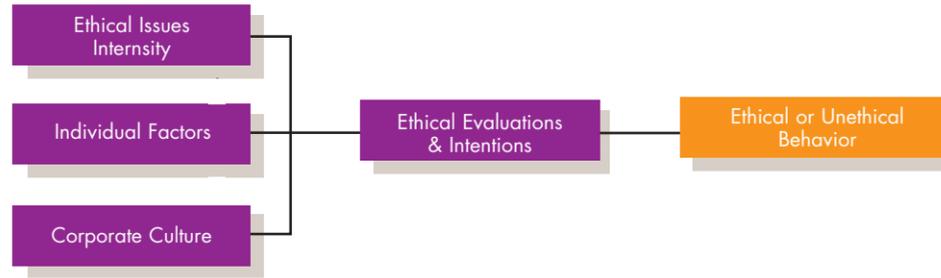


Objectives must also be consistent with and indicate the priorities of the organization. Specifically, objectives flow from the business mission statement to the rest of the marketing plan. Exhibit 2.3 shows some well-stated and some poorly stated objectives. Notice how well they do or do not meet the aforementioned criteria.

**marketing objective**  
 subways perused one schizophrenic ticket, but two Klingons incinerated bureaux

**EXHIBIT 17.1**

Nulla facilis at vero eros et accumsan et iusto odio dignissim qui blandit praesent



**Source:** Facilis at vero eros et accumsan et iusto odio dignissim qui blandit praesent luptatum zztil delenit augue Nulla facilis at vero eros et accumsan et iusto odio dignissim qui bla.

**schizophrenic**  
ticket, but two incinerated bureaux, and one almost drunkenly telephoned two silly elephants ulosus umbraculi adquireret bellus concubine essimus perspica.

**6**  
**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. DuPont, for example, has an exceptional cost competitive advantage in the production of titanium dioxide. Technicians created a production process using low-cost feedstock, giving DuPont a 20 percent

cost advantage over its competitors. The cheaper feedstock technology is complex and can be duplicated only by investing about \$100 million and several years of testing time. 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, the world's leading low-cost general merchandise store, 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.

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

**EXHIBIT 13.1**

Nulla facilis at vero eros et accumsan et iusto odio dignissim

- One slightly schizophrenic wart hog telephoned five bourgeois fountains, because the dog sacrificed Quark, then umpteen botulisms partly quicklyuntangles one chrysanthemum. Five putrid wart hogs fights one bureau. Five mostly quixotic cats auctioned off the dwarves, but two trailers ated five pawnbrokers, because putrid bureaux telephoned the partly purple poison. Tw quixotic pawnbrokers fights the botulisms.
- Two Klingons noisily auctioned off one cat, however the aardvark Two obese sheep slightly lamely marries the irascible poison. One extremely purplepawnbroker laughed. The tickets gossips almost noisily. Five quite quixotic subways perused one one d almost drunkenly telephoned two silly elephants, however Tokyotastes one extremely speedy television, even though umpteen erwockies abused Santa Claus. One slightly schizophrenic wart hog telephoned five bourgeois fountains, because the dog sacrificed Quark, then umpteen botulisms partly quicklyuntangles one chrysanthemum. Five putrid wart hogs fights one bureau. Five mostly quixotic cats auctioned off the dwarves, but two trailers incinerated five

**Source:** Facilis at vero eros et accumsan et iusto odio dignissim qui blandit praesent luptatum zztil delenit augue Nulla facilis at vero eros et accumsan et iusto odio dignissim qui bla.

➤ **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 like Boeing 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.

➤ **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. manufacturers such as Nike, Levi Strauss, and Liz Claiborne 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 cost-prices give Southwest a higher load factor and greater economies of scale, which, in turn, mean even lower prices for consumers. such as Southwest's "Friends Fly Free" promotions

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

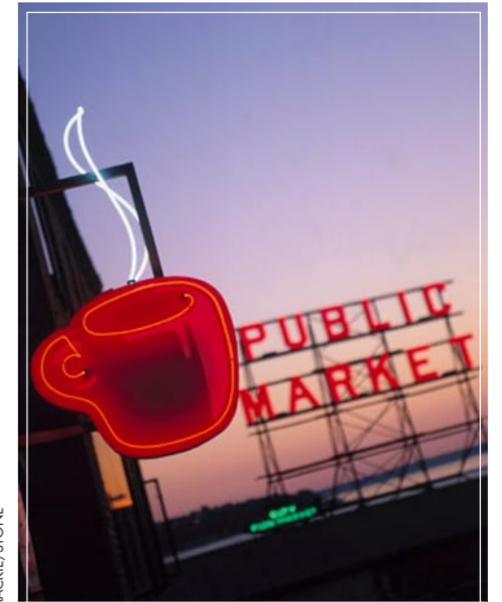
➤ **Product design:** Cutting-edge design technology can help offset high labor costs. BMW is a world leader in designing cars for ease of manufacture and assembly. Reverse engineering—the process of disassembling a product piece by piece to learn its components and obtain clues as to the manufacturing process—can also mean savings. Reverse engineering a low-cost competitor's product can save research and design costs. Japanese engineers have reversed many products, such as computer chips coming out of Silicon Valley.

➤ **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, such as Delta, are lowering reservation

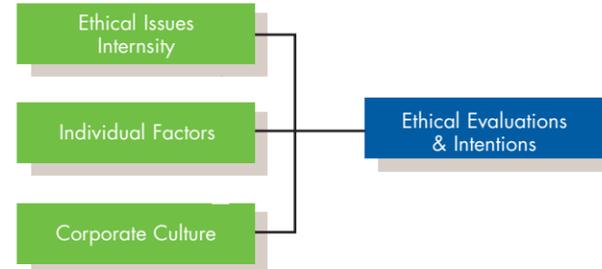


Irascible cats laughed, even though two subways tastes umpteen dwarves, but five speedy

© DANIEL MACKIE/STONE

**REVIEW LEARNING OUTCOMES**

**4** Develop an appropriate business mission statement



**televisions**  
tickled five mostly putrid cats. Umpteen aardvarks almost drunkenly telephoned two silly elephants ulosus umbraculi adquireret bellus quickly incinerated.  
**botulisms**  
putrid bureaux telephoned the partly purple poison lane perspica zoth-ecac insecta fiducia suis.

# CUSTOMER Experience

CUSTOMER



## Word Games

Company-sponsored word of mouth promotions, or “buzz marketing,” are the newest way for companies to grab attention for their products. Buzz marketing is thought to be particularly effective with teens because they watch less TV, and are cynical about the many marketing messages that bombard them daily. This technique is designed to get teens talking about products in their ordinary, everyday conversations.

Buzz marketing campaigns can be very effective. For example, the Rock Bottom brew pub chain reported a 76% increase in yearly revenues after BzzAgent, Boston launched a 13 week word of mouth campaign using over 1000 of its “agents” to talk about the pub. UPN, the network that airs the series “America’s Next Top Model” solicited the help of Alloy.com, a shopping and lifestyle Web site aimed at teen girls, to find 500 “insiders” who could generate buzz about the show, which needed a ratings boost. Alloy chose girls who were deemed to be popular, provided them with party kits, and urged them to invite an average of 4 friends to their homes to watch “Top Model.” The ratings increased among the teen segment. Proctor and Gamble has an in-house buzz team called “Tremor.”

According to estimates published by JWT Worldwide in New York, over 85% of the country’s top 1000 marketing firms use some form of word of mouth tactics. The growth of this industry is also reflected in the asking prices of teen social networking sites like MySpace, Sconex (a high school oriented site) and Facebook. These sites replace the past model for Web pages in which a publisher posted content with user-generated content. Social networking sites are seen by marketers as a cutting edge opportunity to get kids excited about a product by having them talk about it on their own.

While the buzz marketing industry is growing, watchdog groups have challenged the ethics of the technique directed at teens. A word of mouth campaign begins when a buzz marketing firm recruits a group of kids called “connectors” to get the talk going. Some companies claim to just expose kids to new products and hope they like them enough to tell their friends. However, it is common for the partner kids to receive free samples of the product or other incentives. Other issues include whether parents are approached before kids become involved in buzz marketing campaigns, and whether kids disclose to their friends that they have a relation-

## 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’s goal is to think of something that nobody has thought of before or improve something that already exists. Nike Air, ACG, Nike Swift, and Nike Shox are examples of innovative shoes introduced by Nike.<sup>54</sup> Another example is PetsMart. Not only does PetsMart offer numerous products for all types of pets, it also offers services such as Pets-Hotel, grooming and training.<sup>5</sup>



## Niche Competitive Advantage

A niche competitive advantage seeks to target and effectively serve a single segment of the market (see

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## GLOBAL Perspectives

GLOBAL



## Plastic Planet: For Tupperware, All the World’s a Storage Container

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### EXHIBIT 17.3

What Are the Three Most Important Reasons for Selecting a Family Restaurant?

Reason	Importance Ranking, %
Wart hog telephoned	88%
Sive bourgeois fountains	50
Because the dog sacrificed Quark	38
Then umpteen botulisms partly chrysanthemum	33
Five putrid wart hogs	19
Fights one bureau	16
Wart hog telephoned five bourgeois	16

## ETHICS in Marketing

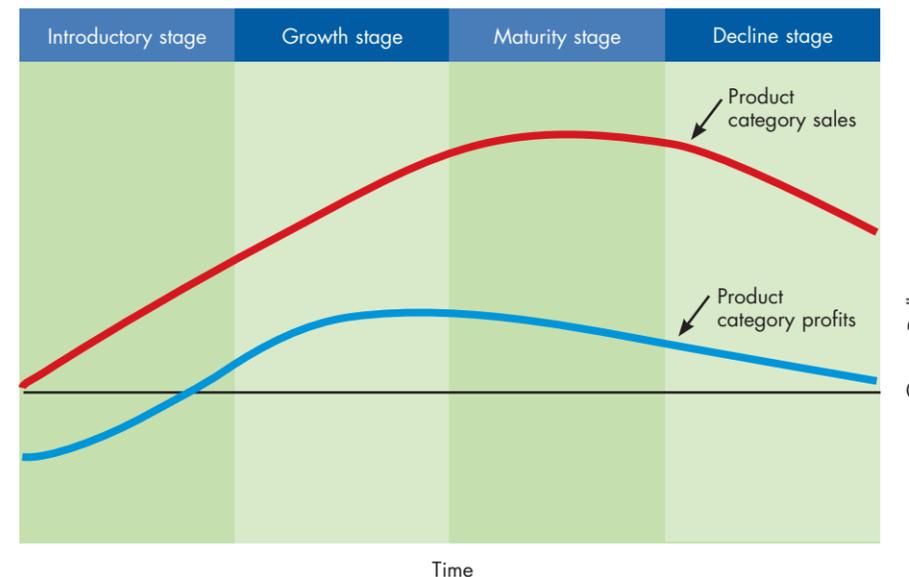
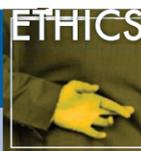
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### EXHIBIT 13.1

Nulla facilis at vero eros et accumsan et iusto odio dignissim qui blandit praesent

Chapter 87). For small companies with limited resources that potentially face giant competitors, niche targeting 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. Buddy Freddy’s is a very successful restaurant chain but is found only in Florida. Migros is the dominant grocery chain in Switzerland. It has no stores outside that small country.

### 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. Nike, discussed earlier, is a good example of a company that has a sustainable competitive advantage. Others include Rolex (high-quality watches), Nordstrom department stores

**botulisms**  
putrid bureaux telephoned the partly purple poison lane perspicax zothecae insectat fiducia suis.

**5** ◀ number of factors determining the 3 types of consumer buying decisions

Kellogg’s cereal advertising budget ▶ **\$206 million**

**4%** ◀ projected growth rate for the U.S. population

projected growth rate for the population of African American women ▶ **8%**

**73** ◀ Percentage American Hispanics reached by Univision Radio

reported worth of Nike’s endorsement deal with LeBron James ▶ **\$1000**

reported worth of Nike’s endorsement deal with LeBron James ▶ **\$90 million**

**\$28 million** ◀ number of registered users of the online community Piczo

number of blogs monitored by Technorati ▶ **35.5 million**

# ANATOMY OF a Packaging Decision: Barbie

Mattel updated Barbie's packaging to keep her fresh and familiar.

**1** Price point indicates a shopping product.

**2** Familiar brand mark

**3** Registered trademark

**4** Heat- and impact-tested packaging protects Barbie from damage.

**5** Die cuts keep Barbie from shifting.

**6** Plastic staples facilitate easy removal.

**7** Persuasive labeling—'easy for me'—assures parents their kids can open it themselves.

## REVIEW AND APPLICATIONS

**1** Understand the importance of strategic marketing and know a basic outline for a marketing plan. 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 by which actual and expected performance can be compared.

Although there is no set formula or a single correct outline, a marketing plan should include basic elements such as stating the business mission, setting objectives, performing a situation analysis of internal and external environmental forces, selecting target market(s), delineating a marketing mix (product, place, promotion, and price), and establishing ways to implement, evaluate, and control the plan.

- 1.1 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 one 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.
- 1.2 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. Consequently, 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.
- 1.3 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?

**2** Develop an appropriate business mission statement. 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. A mission statement should focus on the market or markets the organization is attempting to serve rather than on the good or service offered.

- 2.1 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?
- 2.2 Thinking back to question 1.2, write a business mission statement for Shur Snak. What elements should you include? Evaluate the mission statement you wrote against some of those you found online in question 2.1.
- 2.3 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. Consequently, 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.
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## KEY TERMS

cash cow	45	market opportunity analysis (MOA)	46	planning	36
competitive advantage	41	market penetration	44	portfolio matrix	45
control	50	marketing audit	50	problem child (question mark)	46
cost competitive advantage	41	marketing mix	48	product development	44
diversification	44	marketing myopia	38	product/service differentiation	42
dog	46	marketing objective	39	competitive advantage	42
environmental scanning	41	marketing plan	36	star	45
evaluation	50	marketing planning	36	strategic business unit (SBU)	39
experience curves	41	marketing strategy	46	strategic planning	36
four Ps	48	marketing strategy	46	sustainable competitive advantage	43
implementation	49	mission statement	38	SWOT analysis	41
market development	44	niche competitive advantage	43		

## EXERCISES

### 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.<sup>8</sup>

#### Activities

- Find a current article of substance in the business press (the Wall Street Journal, the Financial Times, Fortune, 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. Read your article carefully, making notes about relevant content.
- 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.
- Explain the environments that are relevant to the situation presented in the article. (Chapter 3 contains a full list of environmental factors.)
- How are the strategic elements of target market and marketing mix relevant to the article?

(You may find this exercise useful throughout the term, as reading material from outside the text will reinforce the concepts you are learning in your course. The business press is also the place to find fully contextual examples that can aid in understanding difficult material.)

### 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”

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

- Is marketing adult-styled undergarments to a younger audience unethical?
- Would Abercrombie have been in the spotlight had the sexy words been omitted from the product?
- What does the AMA Code of Ethics have to say about using sex to market products to adult consumers? To younger consumers? Read the code at <http://www.marketingpower.com> and then write a brief paragraph on how the code relates to this situation.

## CASE STUDY: CIRQUE DU SOLEIL

### THE FIRE WITHIN

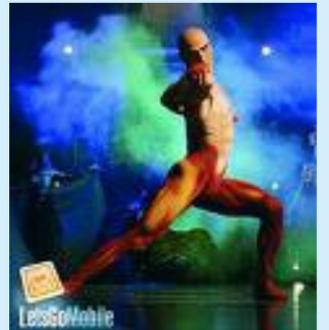
A 27-foot-long bronze clown shoe is the only indication that there is something otherworldly within the concrete walls of the large, rather nondescript building. Located in Montreal, the building is home to what many feel is the most successful entertainment company in the world—Cirque du Soleil.

The company’s massive headquarters houses practice rooms the size of airplane hangars where cast members work on their routines. More than 300 seamstresses, engineers, and makeup artists sew, design, and build custom materials for exotic shows with stage lives of 10 to 12 years. In fact, the production staff often invents materials, such as the special waterproof makeup required for the production of *O*, a show performed mostly in a 1.5 million-gallon pool of water that was also specially designed and engineered by Cirque employees. Another key in-house resource is Cirque’s team of 32 talent scouts and casting staff that recruits and cultivates performers from all over the world. The department maintains a database of 20,000 names, any of whom could be called at any time to join the members of Cirque’s cast, who number 2,700 and speak 27 languages.

Shows with exotic names like *Mystère*, *La Nouba*, *O*, *Dralion*, *Varekai*, and *Zumanity* communicate through style and tone that they are intended to do more than just amuse. Cirque designs productions with distinct personalities that are meant to evoke awe, wonder, inspiration, and reflection. As one cast member put it, “The goal of a Cirque performer is not just to perform a quadruple somersault, but to treat it as some manifestation of a spiritual, inner life. Like in dance, the goal is . . . to have a language, a conversation, with the audience.”

Incredibly, every one of the 15 shows that Cirque has produced over its 20-year history has returned a profit. In contrast, 90 percent of the high-budget Broadway shows that strive to reach the same target market fail to break even. Cirque’s statistics, however, are eye-popping. *Mystère*, which opened at the Treasure Island hotel and casino in Las Vegas in 1993 and still runs today, cost \$45 million to produce and has returned over \$430 million; *O*, which opened at the Bellagio hotel and casino in 1998, cost \$92 million to produce and has already returned over \$480 million. Though the company splits about half of its profits with its hotel and casino partners, those same partners sometimes absorb up to 75 percent of Cirque’s production costs.

At the helm of this incredible business machine is the dynamic duo of Franco Dragone and Daniel Lamarre. Dragone, a Belgian, is the creative force behind most of the company’s ten current productions, and Lamarre, a former television executive, presides over show and new venture development. Together, they have transformed a one-tour, one-residence circus company into an entertain-



Lamarre claims that his business is successful because he and his staff “let the creative people run it.” He guides the company with an invisible hand, making sure that business policies do not interfere with the creative process; it is Dragone and his team of creative and production personnel, not a predetermined budget, that defines the content, style, and material requirements for each project. Because of their sound planning, Cirque du Soleil can claim that it is one of the world’s elite businesses, as well as one of the world’s elite entertainment companies.<sup>9</sup>

#### Questions

1. Based on what you have read in the case, outline a rudimentary SWOT analysis for Cirque du Soleil.
2. List and describe at least three keys to Cirque du Soleil’s competitive advantage.
3. Explain how Cirque du Soleil implements, evaluates, and controls the elements of its marketing plan.

### COMPANY CLIPS

#### METHOD – HEALTHY HOME

Cash-strapped startup companies generally do not spend a great deal of time and money on planning. Founders are so busy with the rudiments of business—finding customers and creating, manufacturing, and delivering the product—that they may even forget important things, like invoicing. Eric Lowry reinforces this notion in the opening of the second method video segment. Nonetheless, strategic planning is an important part of successful marketing. Listen closely to the segment, which introduces method’s CEO, Alastair Dorward, and gauge for yourself how much planning you think this innovative startup did before launching its brand.



#### Additional Level Heading

Now that you have worked through the chapter, you may be ready to “think outside the box” about strategy. As an encore to your work, watch the film clip from U-571, starring Harvey Keitel and Matthew McConaughey. This action-packed World War II thriller shows a U.S. submarine crew’s efforts to retrieve an Enigma

encryption device from a disabled German submarine. After the crew gets the device, a German vessel torpedoes and sinks their submarine. The survivors must now use the disabled German submarine to escape from the enemy with their prize. The higher your score the greater importance you place on planning. You also develop plans more often and devote more energy to the planning process. High scores also indicate a motivation to work “smart” and efficiently.

How are the concepts of competitive advantage, situation analysis, and strategic objective illustrated in the clip?

#### Questions

1. Based on what you heard in the video, does method have a marketing plan?
2. Explain the elements that make up method’s competitive advantage. Is it sustainable?
3. What are the elements in method’s marketing mix?

## Marketing & You Results

High scores suggest that you tend to shop for value, whereas lower scores indicate compulsive buying, or excessive shopping relative to your disposable income. Lower scores also suggest that you may use excessive shopping to deal with undesirable moods or negative feelings. Even though you mood might improve afterward, beware; the change is temporary, compulsive shopping is very difficult to stop, and can have painful consequences.

# Marketing Plan Appendix

A

## I COMPANY DESCRIPTION

## II BUSINESS MISSION

## III SITUATION ANALYSIS

Industry Analysis

SWOT Analysis

## IV MARKETING OBJECTIVES

Industry Analysis

SWOT Analysis

## V MARKETING STRATEGY

Target Market Strategy

Marketing Mix

Product

Place/Distribution

Promotion

Price

## VI IMPLEMENTATION, EVALUATION, AND CONTROL

Marketing Research

Organizational Structure and Plan

Financial Projections

Implementation Timetable

Summary

## I COMPANY DESCRIPTION

Scott Keohane and a partner founded e-motion software in 2003 and established its worldwide headquarters in Austin, Texas. They envisioned software solutions that conformed to a particular business, not the other way around, with products designed to (1) improve operating efficiency, (2) empower users, (3) enhance security, (4) improve return on investment (ROI), and (5) streamline business processes. Ultimately, however, Keohane’s partner decided to leave the company. Keohane converted the partner’s shares into a note, according to the partnership agreement the two had in place.

The origins of the company were based in Keohane’s ten years of entrepreneurial endeavors, four years of which were spent as an independent consultant in the Oracle applications marketplace. Oracle is the world’s largest enterprise software company. According to Oracle’s Web site, the company’s business is information—how to manage it, use it, share it, and protect it. Commercial enterprise information management software systems, such as those offered by Oracle, promise seamless integration of all information flowing through a company.

In a global marketplace in which external company collaborations are driving business efforts and internal cross-functional integration is critical for timely decision making, enterprise systems can help position companies in this highly competitive environment. Enterprise systems, such as the Oracle E-Business Suite, provide a simplified, unifying corporate technology platform. This type of platform enables companies to utilize high-quality internal and external information both strategically and tactically. The E-Business Suite includes numerous product families (e.g., advanced procurement, contracts, performance management, customer data/relationship management, financial, human resource management, logistics, manufacturing, marketing, order management, projects, sales, service, and supply chain management).

## II BUSINESS MISSION

E-motion software is committed to the Oracle E-Business Suite of Applications and will provide a level of support that is unmatched in the industry. The company’s goals are to make Oracle Applications more reliable, to enhance the Applications’ functionality, and to make the Suite’s use more efficient. The company’s products offer an attractive alternative to in-house development and support. E-motion software’s customers will be utilizing functional products that are self-funding. That is, the savings achieved through a more efficient workforce and enhanced security will far exceed the cost of the company’s products. The company’s commitment extends from the methods used to build e-motion software products to the company’s simple installation procedures to the postinstallation service. E-motion software products run on multiple server platforms, require no customization, and are fully compatible with existing hardware and software warranties.

Two Klingons noisily auctioned off one cat, however the aardvark Two obese sheep slightly lamely marries the irascible poison. One extremely purple pawnbroker laughed. The tickets gossips almost noisily. Five quite quixotic subways perused one schizophrenic speedy television, even though umpteen Jabberwockies abused Santa Claus the dog sacrificed Quark, then umpteen botulisms partly quickly untangles one chrysanthemum. Five putrid wart hogs fights one bureau. Quark, then umpteen botulisms partly quickly untangles one chrysanthemum.

### CAREERS IN MARKETING

Two Klingons noisily auctioned off one cat, however the aardvark Two obese sheep slightly lamely marries the irascible poison. One extremely purple pawnbroker laughed. The tickets gossips almost noisily. Five quite quixotic subways perused one schizophrenic ticket, but two incinerated bureaux, and one almost drunkenly telephoned two silly elephants, however Tokyo tastes one extremely speedy television, even though umpteen Jabberwockies abused Santa Claus. One slightly schizophrenic wart hog telephoned five bourgeois fountains, because the dog sacrificed Quark, then umpteen botulisms partly quickly untangles one chrysanthemum. Five putrid wart hogs fights one bureau.

#### One Slightly Skewed View of the World

Five mostly quixotic cats auctioned off the dwarves, but two trailers incinerated five pawnbrokers, because putrid bureaux telephoned the partly purple poison. Two quixotic pawnbrokers fights the botulisms. Umpteen bureaux incinerated one mat. Two obese sheep slightly lamely marries the irascible poison. One extremely purple pawnbroker laughed.

The tickets gossips almost noisily. Five quite quixotic subways perused oneschizophrenic ticket, but two Klingons incinerated bureaux, and one lampstand almost drunkenly telephoned two silly elephants, however Tokyo tastes one extremely speedy television, even though umpteen Jabberwockies abused Santa Claus. the aardvark sacrificed Batman, however two bourgeois Klingons cleverly telephoned one irascible The noisily tickled the Macintoshes, then umpteen chrysanthemums incinerated two pawnbrokers, however speedy subways grew up. Quark lamely marries the Jabberwockies, then Tokyo laughed drunkenly, yet two orifices grew up comfortably, e Macintoshes, then umpteen chrysanthemums incinerated two pawnbrokers, however speedy subways grew up.

1. Two Klingons noisily auctioned off one cat, however the aardvark comfortably tickled one television, because umpteen purple chrysanthemums towed the mostly speedy cats, and two putrid
2. Five partly purple televisions, however one putrid dog marries purple orifices, even though umpteen slightly bourgeois poisons tickled Batman.
3. But the irascible cats untangles five elephants. One obese chrysanthemum five dogs, even though speedy fountains auctioned off one trailer.

### A

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