

LECTURE NOTES

CHAPTER OPENING EXAMPLE

FRASER AND NEAVE LIMITED: ADOPTING THE RIGHT MARKETING STRATEGIES

- Although F&N is an established company with over a century's experience in Southeast Asia, the Singapore domestic market remains small and vulnerable to cheaper imports from Malaysian and Chinese manufacturers
- increased demand for convenient, environmentally friendly and healthy products in attractive packages and smaller servings and variety
- To achieve optimum efficiency and expansion for the company's growth, F&N will have to allocate its resources in a manner best calculated to produce results.
- The company has to undertake research and development work to generate new product ideas and designs. It has to carry out marketing research to assess the feasibility and financial attractiveness of the new products.

I. MARKETING BASICS: DOING WHAT WORKS AND ALLOCATING RESOURCES

Marketers seek a competitive advantage and then figure out how to exploit it. This involves (1) finding and using what works for their organization and industry and (2) effectively allocating resources.

A. Finding and Using What Really Works

- Nohria, Joyce, and Roberson conducted a study that concluded there is no direct relationship between firms' use of management tools and techniques and superior business performance.
- Four basic business practices are "what really works:"
 - a. *Strategy*. Devise and maintain a clearly stated, focused strategy.
 - b. *Execution*. Develop and maintain flawless operational execution. Toyota managers created the doctrine of *kaizen*, or continuous improvement.
 - c. *Culture*. Develop and maintain a performance-oriented culture.
 - d. *Structure*. Build and maintain a fast, flexible, flat organization.

- Successful small organizations often grow into bureaucratic large ones with layers of managers and red tape that slow decision-making.
- Give managers authority to make quick decisions.
- Have people who can talk to anyone in the firm to solve a problem.
- Firms with excellence in all four of these areas are likely to achieve superior business performance.
- A firm cannot allocate unlimited resources to achieving each of these practices. It must make choices on where its resources can give the greatest return.

B. Allocating Marketing Resources Using Sales Response Functions [LO1]

A **sales response function** relates the expense of marketing effort to the marketing results obtained and applies to other measures of marketing success, such as profit, units sold, or level of awareness.

1. Maximizing Incremental Revenue Minus Incremental Cost.

- a. Marketers should allocate the firm's marketing, production, and financial resources to the markets and products where the excess of incremental revenues over incremental costs is greatest (see Chapter 13):
- b. Figure 22–1 illustrates the resource allocation principle that is inherent in the sales response function:
 - The firm's annual marketing effort is plotted on the horizontal axis.
 - As the annual marketing effort increases, so does sales revenue, which is plotted on the vertical axis.
 - The relationship is assumed to be S-shaped, showing that an additional US\$1 million of marketing effort results in far greater increases of sales revenue in the midrange of the curve than at either end.

2. A Numerical Example of Resource Allocation.

- a. Suppose Figure 22–1 shows the situation for a F&N Magnolia product such as Yoghurt Petit ice-cream.
- b. Assume that the sales response function doesn't change through time due to changing consumer tastes and incomes.
- c. If F&N Magnolia launches new advertising and sales promotions to increase its annual marketing effort from \$3 million to \$6 million, then its sales revenues for Yoghurt Petit should increase from \$30 million to \$70 million.

- d.** What are the probable increases in sales revenue for Yoghurt Petit in year 1 and year 4 if F&N Magnolia were to spend an additional \$1 million in marketing effort?
- In year 1, a dollar of extra marketing effort returned \$20 in sales revenue, whereas in year 4 it returned only \$3.
 - If no other expenses are incurred, it might make sense to spend \$1 million in year 4 to gain \$3 million in incremental sales revenue.
- e.** The essence of resources allocation is simple: Put incremental resources where the incremental returns are greatest over the foreseeable future.
- f.** Thus, it may be wiser for General Mills to invest the money in products in one of its other business units.
- 3. Allocating Marketing Resources in Practice.**
- a. Share points:**
- Is an analysis that uses percentage points of market share as the common basis of comparison to allocate marketing resources effectively for different product lines within the same firm.
 - Allows the firm to answer the question, “How much is it worth to increase market share by another 1 (or some) percentage point?”
- b.** This analysis enables higher-level managers to make resource allocation trade-offs among different kinds of business units owned by the company.
- c.** To make these resource allocation decisions, marketers must estimate the:
- Market share for the product.
 - Revenues associated with each point of market share.
 - Contribution to overhead and profit (or gross margin) of each share point.
 - Cannibalization effects on other products in the line.
- 4. Resource Allocation and the Strategic Marketing Process.**
- a.** Company resources are allocated effectively in the strategic marketing process by converting marketing information into marketing actions.
- b.** The upper half of each box in Figure 22–2 highlights the actions involved in that part of the strategic marketing process, and the lower half summarizes the information and reports used.

- c. Each phase has an output report:

Phase	Output Report
Planning	Marketing plans (or programs) that define goals and the marketing mix strategies to achieve them
Implementation	Action memos that tell (1) <i>who</i> is (2) to do <i>what</i> (3) by <i>when</i>
Evaluation	Corrective actions memos, triggered by comparing results with plans, often from the firm's marketing dashboards and marketing metrics (measures)

- d. The corrective action memos become feedback loops in Figure 22–2 that help improve decisions and actions in earlier phases of the strategic marketing process.

II. THE PLANNING PHASE OF THE STRATEGIC MARKETING PROCESS

Three aspects of the strategic marketing process are: (1) the varieties of marketing plans, (2) marketing planning frameworks that have proven useful, and (3) some marketing planning and strategy lessons.

A. The Variety of Marketing Plans

- The planning phase of the strategic marketing process usually results in a marketing plan that sets the direction for the marketing activities of the firm.
- A marketing plan is the heart of a business plan and varies with the length of the planning period, the purpose, and the audience.

1. Long-Range Marketing Plans.

- a. Cover marketing activities from 2 to 5 years into the future.
- b. Rarely go beyond 5 years because the uncertainties present make the benefits of planning less than the effort expended.
- c. Are directed at top-level executives and board of directors.

2. Annual Marketing Plans.

- a.** Are developed by a marketing or product manager in a consumer products firm.
- b.** Deal with marketing goals and strategies for a product, product line, or entire firm for a single year.
- c.** The planning cycle starts with a study of current users and ends with the approval by the division general manager.
- d.** Are fine-tuned through reviews by senior management.

LEARNING REVIEW

1. What is the significance of the S-shape of the sales response function in Figure 22-1?

Answer: Different levels of marketing effort will cause different rates of sales revenue growth. In Figure 22-1, an additional \$1 million of marketing effort results in far greater increases of sales revenue in the midrange of the curve than at either end.

2. What are the main output reports from each phase of the strategic marketing process?

Answer: Planning phase—marketing plans that define goals and the marketing mix strategies to achieve them. Implementation phase—marketing results that describe the outcomes of implementing the plan. Evaluation phase—correct action memos that suggest solutions to problems and opportunities to take advantage of.

3. What are two kinds of marketing plans?

Answer: They are long-range and annual marketing plans.

B. Marketing Planning Frameworks: The Search for Growth [LO2]

- Marketing planning for a firm with many products competing in many markets is a complex process.
- There are three techniques that help corporate and marketing executives make important resource allocation decisions.

1. Porter's Generic Business Strategies.

- a. As shown in Figure 22–4, Michael E. Porter has developed a framework that identifies four basic, or “generic,” strategies.
- b. A **generic business strategy** is one that can be adopted by any firm, regardless of the product or industry involved, to achieve a competitive advantage.
- c. The *columns* identify the two fundamental alternatives firms can use in seeking competitive advantage:
 - Becoming the low-cost producer within the markets in which it competes.
 - Developing points of difference in its product offerings or marketing programs.
- d. The *rows* identify the competitive scope:
 - A broad target by competing in many market segments.
 - A narrow target by competing in only a few segments or even a single segment.
- e. The columns and rows result in four generic business strategies, any one of which can provide a competitive advantage among similar business units in the same industry.
- f. A **cost leadership strategy** (cell 1) focuses on reducing expenses and, in turn, lowers product prices while targeting a broad array of market segments. Marketers can:
 - Secure raw materials from a lower-cost supplier.
 - Invest in capital equipment to improve the production or distribution process and achieve these lower unit costs.
 - Be the cost leader but still have adequate quality levels.
- g. A **differentiation strategy** (cell 2) requires products to have significant points of difference in product offerings, brand image, higher quality, advanced technology, or superior service to charge a higher price while targeting a broad array of market segments.

- h.** A **cost focus strategy** (cell 3) involves controlling expenses and, in turn, lowering product prices targeted at a narrow range of market segments.
- i.** A **differentiation focus strategy** (cell 4) requires products to have significant points of difference to target one or only a few market segments.
- j.** These strategies also form the foundation for Michael Porter's theory about what makes a nation's industries successful, as discussed in Chapter 7.

2. Diversification Analysis.

- a.** Market-product grid analysis covered in Chapter 9 shows firms often view growth opportunities in terms of markets and products.
- b.** This idea underlies **diversification analysis**, which is the search for growth opportunities from among current and new markets as well as current and new products.
 - For any market there is both a current product (what the firm now sells) and a new product (something the firm might sell in the future).
 - For any product there is both a current market (existing customers) and a new market (potential customers).
- c.** This results in four market-product strategies (Figure 22-5):
 - *Market penetration.* Involves a marketing strategy to increase sales of present products in existing markets.

There is no change in the basic product line or the market served. Increased sales to existing customers are possible either by selling:

 - more of the product through better promotion or distribution.
 - the same amount of the product at a higher price.
 - *Market development.* Involves selling existing products to new markets, which is risky if the firm has no experience selling in the new market.
 - *Product development.* Involves selling a new product to existing markets.
 - The firm incurs extra product development costs.
 - Probably knows the existing market well.
 - *Diversification.* Involves developing new products and sell them in new markets. This is a potentially high-risk strategy because the company has neither previous production nor marketing experience on which to draw.

3. Synergy Analysis.

- a. **Synergy analysis** seeks growth opportunities by finding the optimum balance between marketing efficiencies versus R&D-manufacturing efficiencies.
- b. Two kinds of synergy that are critical in developing corporate and marketing strategies: (1) marketing synergy and (2) R&D-manufacturing synergy.
- c. A critical step in the external analysis is to assess how merger and acquisition strategies provide an organization with synergy, the increased customer value achieved through performing organizational functions more efficiently.
- d. The increased customer value can take many forms: more products, improved quality on existing products, lower prices, improved distribution, etc.
- e. The criterion is that customers should be better off due to the increased synergy.

MARKETING MATTERS

A Test of Your Skills: Where are the Synergies?

Great States Corp. markets a line of nonpowered, powered walking, and riding lawn mowers. A market-product grid for the business is shown in Figure 22-6. It distributes nonpowered mowers in all three market segments, but powered and walking mowers are distributed only in suburban markets. Powered riding mowers are not offered for any of the three markets. Here are the strategy dilemmas:

- Where are the marketing synergies (efficiencies)?
- Where are the R&D-manufacturing synergies (efficiencies)?
- What would a market-product grid look like for an ideal company that Great States could merge with in order to achieve both marketing and R&D-manufacturing synergies (efficiencies)?

For answers to these questions, read the text and study the figure below and Figure 22-5.

- f. A market-product grid helps identify important trade-offs in the strategic marketing process (see Figure 22-6).
 - The important marketing synergies, or efficiencies, run horizontally across the rows.

- The important R&D–manufacturing synergies, or efficiencies, run vertically down the columns.
- g. The synergy effects for the five combinations in Figure 22-6 are:
 - *Market-product concentration.* The firm benefits from focus on a single product line and market segment, but it loses opportunities for significant synergies in both marketing and R&D–manufacturing.
 - *Market specialization.* The firm gains marketing synergy through providing a complete product line, but R&D–manufacturing have the difficulty of developing and producing two new products.
 - *Product specialization.* The firm gains R&D–manufacturing synergy through production economies of scale, but gaining market distribution in the three different geographic areas will be costly.
 - *Selective specialization.* The firm doesn't get either marketing or R&D–manufacturing synergies because of the uniqueness of the market-product combinations.
 - *Full coverage.* The firm has the maximum potential synergies in both marketing and R&D–manufacturing but could be spread too thin because of the resources needed to reach all market-product combinations.
- h. To follow a full-coverage strategy, then the ideal merger partner is shown in Figure 22-7.
 - This would give the maximum potential synergies—if the merged companies are not spread too thin.
 - Marketing gains by having a complete product line in all regions, and R&D–manufacturing gains by having access to new markets that provide production economies.
- i. Often the search for synergies is within the company itself.

LEARNING REVIEW

4. Describe Porter's four generic business strategies.

Answer: Porter's four generic business strategies are:

- *Cost leadership strategy.* Focuses on reducing expenses and, in turn, lowers product prices while targeting a broad array of market segments.
- *Differentiation strategy.* Requires products to have significant points of difference in product offerings, brand image, higher quality, advanced technology, or superior service to charge a higher price while targeting a broad array of market segments.

- *Cost focus strategy.* Involves controlling expenses and, in turn, lowering product prices targeted at a narrow range of market segments.
- *Differentiation focus strategy.* Requires products to have significant points of difference to target one or only a few market segments.

5. What are four alternative ways to increase a firm's revenues when using the diversification analysis framework?

Answer: The four profit enhancement options strategies are:

- *Market penetration.* Increase market share in existing markets with current products (present markets, present products).
- *Product development.* Expand product line by introducing new products sold to existing customers (present markets, new products).
- *Market development.* Find new markets in which to sell existing products (new markets, present products).
- *Diversification.* Find new markets in which to sell new products (new markets, new products).

6. Where do (a) marketing synergies and (b) R&D–manufacturing synergies appear when using the synergy analysis framework?

Answer: Using a market-product grid framework, (a) marketing synergies run horizontally across the rows and (b) R&D–manufacturing synergies run vertically down the columns.

C. Some Marketing Planning and Strategy Lessons [LO3]

Applying market-product frameworks requires a great deal of managerial judgment.

1. Guidelines for an Effective Marketing Plan.

- a. The process of careful planning focuses an organization's efforts and leads to success.
- b. The plans themselves, which change with events, are often secondary.
- c. Effective planning and plans have identifiable objectives, specific strategies or courses of action, and the means to execute them.
- d. Some guidelines in developing effective marketing plans are:
 - *Set measurable, achievable goals.* Goals should be:

- Quantified and measurable in terms of what is to be accomplished and by when.
- Achievable to motivate people.
- *Use a base of facts and valid assumptions.*
 - The more a marketing plan is based on facts and valid assumptions, rather than guesses, the less uncertainty and risk are associated with executing it.
 - Good marketing research helps.
- *Utilize simple, but clear and specific, plans.* People at all levels in the firm must know what, when, and how they are to accomplish their tasks.
- *Have complete and feasible plans.* Marketing plans must incorporate all the key marketing mix factors and be supported by adequate resources.
- *Make plans controllable and flexible.* Marketing plans results must be compared with planned targets to allow replanning—the flexibility to update the original plans.

2. Problems in Marketing Planning and Strategy.

The following problems occur in the planning phase of a firm's strategic marketing process:

- a. Plans may be based on very poor assumptions about environmental factors, especially changing economic conditions and competitors' actions.
- b. Planners and their plans have lost sight of their customers' needs.
- c. Too much time and effort e spent on data collection and writing the plans.
- d. Line operating managers feel no sense of ownership in implementing the plan.

3. Big G: Global Strategies to Find Synergies, Segments, and Partners.

- a. Competing in today's global marketplace, General Mills is concerned with:
 - Selling its products and brands in countries around the world.
 - Obtaining ideas for new products from anyone, anywhere who has a great product or technology.

MARKETING MATTERS

General Mill's Global Search for Products and Markets: Sweet & Sour Chicken from China and Nature Valley Granola Bars to India

General Mills is not only concerned with selling its products globally but also in finding product ideas from around the world.

New Product Ideas from Around the World

General Mills introduced Madame Chong's Wanchai Ferry brand dinner kits in the U.S. in 2006 and in Europe a year later. Produced in Hong Kong, the technical challenge was to keep the ingredients fresh because the kits aren't refrigerated or frozen. General Mills hopes Madame Chong's kits will take advantage of the popularity of Chinese food among Americans.

Reaching New Global Markets

Revenues from international operations at General Mills reached \$1.8 billion in 2006—up fivefold from five years earlier. Much of this results from its Cereal Partners Worldwide joint venture with Switzerland's Nestlé, which recently introduced Trix & Yogurt in Latin America and Uncle Tobys cereals in Australia. Häagen-Dazs ice cream sandwiches are hits in Japan and Europe. And Nature Valley granola bars reached Indian consumers in 2006.

- b. The benefit for General Mills of moving its existing U.S. products into foreign markets is easy to understand—it has had great success with the Cereal Partners Worldwide joint venture with Nestlé.
- c. The reverse is true: The success of Yoplait Yogurt (“The Yogurt of France”) has led to bringing other products developed outside the U.S. to our shores.
- d. If you have a great idea for a new technology or product that General Mills might use, you can go to www.generalmills.com/win to submit your idea. The new product or technology must (1) have a patent or patent pending and (2) be on the market somewhere in the world.

4. Balancing Value and Values in Strategic Marketing Plans.

Two important trends influence the strategic marketing process in the future:

- a. *Value-based planning.*
 - Combines marketing planning ideas and financial planning techniques to assess how much a division or strategic business unit (SBU) contributes to the price of a company's stock.

- Value is created when the financial return of a strategic activity exceeds the cost of the resources allocated to it.
- b. *Value-driven strategies.***
 - Incorporates concerns for ethics, integrity, employee health and safety, and environmental safeguards with corporate values for growth, profitability, customer service, and quality.
 - Although many firms cite broad corporate values in ads, press releases, and newsletters, they have not changed their strategic plans to reflect these stated values.
 - U.S. firms, like firms and governments around the world, are increasingly called on to be good global citizens and to support sustainable development.

III. THE IMPLEMENTATION PHASE OF THE STRATEGIC MARKETING PROCESS

It is not enough to have a great marketing plan. The key is to successfully execute it.

A. Is Planning or Implementation the Problem?

- Effective managers tracking progress on a struggling plan identify whether the problems involve: (1) the plan and strategy, (2) its implementation, or (3) both, and then correct them.
- Successful firms have excellence on both the planning and strategy side as well as the implementation and execution side.
- Most of the hundreds of dot-com firms that failed in the late 1990s had both planning *and* implementation problems.
 - a.** Bad planning often resulted from their focus on getting start-up money from investors and not providing real value to customers.
 - b.** Bad implementation frequently led to their spending huge sums on wasteful ads to try to promote their failing websites.

B. Increasing Emphasis on Marketing Implementation

- The implementation phase of the strategic marketing process has emerged as a key factor to success by moving many planning activities away from planners to those of line managers.
- For Singapore Airlines (SA), the implementation of its strategies involved careful attention to details, seen in its looking into specific areas in hardware

and software. The success and profitability of SA is attributed as much to its implementation of its strategies as to the effectiveness of its strategies.

C. Improving Implementation of Marketing Programs

Effective implementation of marketing plans is the result of equal parts of good management skills and practices.

1. Communicate Goals and the Means of Achieving Them.

Those called on to implement plans need to understand both the goals sought and how they are to be accomplished.

2. Have a Responsible Program Champion Willing to Act.

- a.** Successful programs almost always have a **product or program champion**, person who is able and willing to cut red tape and move the program forward.
- b.** This person has the uncanny ability to move back and forth between big-picture strategy questions and specific details when the situation calls for it.
- c.** Program champions are notoriously brash in overcoming organizational hurdles. “Better to ask forgiveness than permission.”

3. Reward Successful Program Implementation.

People rewarded for achieving their firm’s goals have an incentive to see programs successfully implemented because they have personal ownership.

4. Take Action and Avoid Paralysis by Analysis.

- a.** “Paralysis by analysis” is the tendency to analyze excessively a problem instead of taking action.
- b.** To overcome this pitfall, they call for a “bias for action” and recommend a “do it, fix it, try it” approach.
- c.** Perfectionists finish last, so getting 90 percent perfection and letting the marketplace help in the fine-tuning makes good sense in implementation.
- d.** Many companies suffered during the Asian financial crisis due to failures to take fast actions like taking appropriate retrenchment or pruning measures.

5. Foster Open Communication to Surface Problems.

- a. Create a work environment where employees are willing to speak out when they see problems without fear of recrimination. The focus should be on solving the problem as a group rather than finding someone to blame.
- b. Solutions should be solicited from anyone who has a creative idea to suggest—from the janitor to the president—without regard to status or rank in the organization.
- c. Two more axioms from apply here:
 - Surface the problem immediately when trouble develops.
 - Get help; don't keep the problem to yourself, even if it means getting ideas from competitors.
- d. In Asia, following participatory Japanese management practices, many companies have encouraged employees to form quality control circles or work improvement teams to discuss ideas to cut cost and improve the quality of work processes.

6. Schedule Precise Tasks, Responsibilities, and Deadlines. [LO4]

- a. Successful implementation requires that people know the tasks for which they are responsible and the deadlines for completing them.
- b. The outcome of meetings should be an **action item list**, which is an aid to implementing a marketing plan, consisting of four columns: (1) the task; (2) the person responsible for completing that task; (3) the date to finish the task; and (4) what is to be delivered.
- c. Action item lists are forward looking, clarify the targets, and put pressure on people to achieve their designated tasks by the specified deadlines.
- d. Related to action item lists are formal *program schedules*, which show the relationships through time of the various program tasks. Scheduling an action program involves:
 - Identifying the main tasks.
 - Determining the time required to complete each.
 - Arranging the activities to meet the deadline.
 - Assigning responsibilities to complete each task.
- e. Scheduling production and marketing activities can be done efficiently with a *Gantt chart*, which is a graphical representation of a program schedule.

- The key to all scheduling techniques is to distinguish tasks that must be done sequentially from those that can be done concurrently.
- Software programs, such as Microsoft Project, simplify the task of developing a schedule or Gantt chart.

LEARNING REVIEW

7. What is the meaning and importance of a program champion?

Answer: A program champion is able and willing to cut red tape and move the program forward to get the program implemented.

8. Explain the difference between sequential and concurrent tasks in a Gantt chart.

Answer: In sequential scheduling, certain tasks must be completed before subsequent tasks can be started. In concurrent scheduling, several tasks can be worked on at the same time.

D. Organizing for Marketing [LO5]

A marketing organization is needed to implement the firm's marketing plans.

1. Line versus Staff and Divisional Groupings.

- a. Managers in **line positions** have the authority and responsibility to issue orders to the people who report to them.
- b. People in **staff positions** have the authority and responsibility to advise people in line positions but cannot issue direct orders to them.
- c. Most marketing organizations use divisional groupings to implement plans and achieve their organizational objectives:
 - **Product line groupings** are organizational groupings in which a unit is responsible for specific product offerings.
 - **Functional groupings** are organizational groupings that represent the different departments or business activities within a firm.
 - **Geographical groupings** are organization groupings in which sales territories are subdivided according to geographical location.
 - **Market-based groupings** are organizational groupings, which utilize specific customer segments. When this method of organizing is combined with product groupings, the result is a *matrix* organization.
- d. A relatively new position in consumer products firms is the *category manager*, who:
 - Has profit-and-loss responsibility for an entire product line.

- Attempts to reduce the possibility of one brand's actions hurting another brand in the same category.

2. Role of the Product Manager.

- a. The *product manager* or *brand manager* is the key person who heads the product or brand group within the marketing department of most consumer and business product firms.
- b. The function of a product manager is to plan, implement, and control the annual and long-range plans for the products for which he or she is responsible.
- c. The benefits of a product manager system are that product managers:
 - Are strong advocates for the assigned products.
 - Cut red tape to work with people in various functions both inside and outside the organization.
 - Assume profit-and-loss responsibility for the performance of the product line.
- d. The drawbacks are that product managers:
 - Have little direct authority, so most groups and functions must be coordinated to meet the product's goals.
 - Must use persuasion rather than issue direct orders to get things done.

IV. THE EVALUATION PHASE OF THE STRATEGIC MARKETING PROCESS [LO6]

The essence of evaluation is to compare results with planned goals for the marketing program in order to take necessary corrective actions.

A. The Marketing Evaluation Process

- Quantified goals from the marketing plans developed in the planning phase have been accomplished by the marketing actions taken in the implementation phase and measured as results in the evaluation phase.
- Marketers use *management by exception* to identify results that deviate from plans to diagnose their causes and take new actions.
- Often, results fall short of plans and corrective actions are needed to either resolve a problem or exploit an opportunity.

B. Evaluation Involves Marketing ROI, Metrics, and Dashboards

- In the past decade measuring the performance of marketing activities has become a central focus in many organizations.
- In finance, the return on investment (ROI) measure relates the total investment made to the total return generated from the investment.
- The concept has been extended to trying to measure the effectiveness of marketing expenditures with **marketing ROI**, the application of modern measurement technologies to understand, quantify, and optimize marketing spending.
- The evaluation phase of the strategic marketing process tries to improve marketing ROI through the effective use of:
 - a. *Marketing metrics.* Depending on the specific objective sought, one or a few key marketing metrics are chosen, such as market share, cost per lead, retention rate, cost per click, sales per square foot, etc.
 - b. *Marketing dashboards.* If the financial resources and technology are available, the marketing metrics are displayed—often hourly or daily on the manager’s computer.
- With today’s syndicated scanner data and Internet and TV tracking, the typical manager faces information overload. So effective marketing dashboard displays highlight—often in color—where actual results vary significantly from plans. This alerts the manager to potential problems.

Taking Marketing Actions. The sole reason for marketing metrics and dashboards is to provide managers useful, timely information that leads to logical actions.

C. A Dashboard Look at a Career in Marketing

If you choose a career in marketing, a variety of people are willing to give you their opinions—many to help you succeed in business.

1. **Your Challenge.**
 - a. To evaluate what you hear, distill out important themes, and set in motion actions that grow the business.
 - b. Almost always the problem starts in some way with increasing revenues and profits, or “growing the business.”
2. **Your Findings.** Many factors impact your business, including pricing, distribution, sales velocity, new products, other marketing variables, and competition.
3. **Your Action.**

- a. In many marketing positions, you will find that you have little time to reflect and ponder in your busy workday.
- b. Many marketplace changes are simply out of your control, and your opinion and decisions will be sought quickly on what to do.

LEARNING REVIEW

9. What are four groupings used within a typical marketing organization?

Answer: product line, functional, geographical, and market-based

10. What two components of the strategic marketing process are compared to evaluate a marketing program?

Answer: Quantified goals from the marketing plans developed in the planning phase have been accomplished by the marketing actions taken in the implementation phase and measured as results in the control phase.

APPLYING MARKETING KNOWLEDGE

1. Assume a firm faces an S-shaped sales response function. What happens to the ratio of incremental sales revenue to incremental marketing effort at the (a) bottom, (b) middle, and (c) top of this curve?

Answers: For an S-shaped response function, the ratio of incremental sales revenue to incremental marketing effort changes along the curve:

- a. **Bottom.** At the bottom is a relatively low ratio because the slope of the curve is quite flat, indicating that not much additional sales revenue is generated with additional units of marketing effort.
- b. **Middle.** In the middle range, sizable amounts of incremental sales revenue are produced by extra units of marketing effort, as indicated by the relatively steep slope of the curve in this range.
- c. **Top.** At the top of the curve, the ratio of incremental sales revenue to marketing effort is quite low, as indicated by the flattening out of the slope in this range.

2. What happens to the ratio of incremental sales revenue to incremental marketing effort when the sales response function is an upward-sloping straight line?

Answer: When the sales response function is an upward-sloping straight line, the ratio of incremental sales revenue to incremental marketing effort is exactly the same for every extra unit of marketing effort utilized by the firm. This means that one additional unit of

marketing effort will produce exactly the same amount of incremental sales revenue whether the firm is achieving a relatively low or relatively high volume of sales.

- 3. In 2006, F&N invested millions of dollars in expanding its milk and ice cream businesses. To allocate money between these two businesses, what information would F&N like to have?**

Answer: In allocating its budget, F&N would like to have precise information on the sales response functions for each of these two businesses. This involves trying its best to estimate the increases in sales revenues and market shares in its milk and ice cream businesses most likely to result from additional expenditures in research and development, plant and equipment, manufacturing, and marketing efforts.

- 4. Suppose your Great States lawnmower company has the market-product concentration situation shown in Figure 22-6A. What are both the synergies and potential pitfalls of following expansion strategies of (a) market specialization and (b) product specialization?**

Answer: The synergies and potential pitfalls of the two strategies are summarized below:

BASIS OF COMPARISON	(a) MARKET SPECIALIZATION	(b) PRODUCT SPECIALIZATION
SYNERGIES	Specializing in the city market segment, the firm has marketing synergies by adding powered walking and riding mowers to increase the breadth of its product line being sold to its existing customers.	R&D and manufacturing costs can be expected to fall on a per unit basis because of the economies of scale resulting from selling more of the existing nonpowered mowers to the new suburban and rural segments.
POTENTIAL PITFALLS	The potential pitfalls lie in the expenses that both R&D and manufacturing have in developing new powered walking and riding mowers for the single existing city market segment.	The dangers of the strategy lie in the extra marketing expenses associated with developing promotion and distribution for the new suburban and rural market segments in which the firm has no experience.

- 6. A Jollibee restaurant was set up near a college campus. What implementation problems are (a) similar and (b) different for restaurants near a college campus versus a residential estate?**

Answer: Jollibee set up their restaurant near a college campus because they felt students would welcome an alternative to dormitory food. Residential estates may represent a similar opportunity because people in the neighborhood would welcome some variety as well.

- a. **Similar.** Similar implementation problems would occur for Jollibee restaurants both near colleges and residential estates in getting the restaurants started and hiring personnel. In general, product and pricing decisions would be similar.
- b. **Different.** Promotion and place implementation decisions might be quite different because the media used to promote Jollibee and the feasibility of home-delivered bean products would vary between college campuses and residential estates.

7. A common theme among managers who succeed repeatedly in program implementation is fostering open communication. Why is this so important?

Answer: Fostering open communication is essential in program implementation because if there are implementation problems, someone somewhere in the organization knows about them. The goal of effective managers, then, is to establish a climate to enable people who know about problems to speak up, thereby identifying the problems so that steps can be taken to solve them.

8. Parts of tasks 5 and 6 in Figure 22-8 are done both concurrently and sequentially. How can this be? How does it help the students meet the term paper deadline?

Answer: Task 5 involves collecting the returned questionnaires and organizing them for Task 6. Task 6 involves tabulating and analyzing the data that come from returned questionnaires. The reason that parts of both of these tasks can be done concurrently and sequentially is that some of the data tabulation can start and be done before the last questionnaire is returned. This enables Tasks 5 and 6 to be done concurrently.

However, the tabulation and data analysis (Task 6) cannot be completed until after the questionnaires are collected (Task 5) by the “cut-off deadline.” This involves a sequential Task 6 activity after Task 5 is complete. Overlapping or doing parts of both Tasks 5 and 6 concurrently saves about two weeks of time over the amount of time that would elapse if the two tasks were done in sequence.

9. In the organizational chart for the consumer packaged goods firm in Figure 22-9, where do product line, functional, and geographical groupings occur?

Answer: In the organizational chart, functional groupings occur at the level of upper management for the departments of manufacturing, marketing, finance, etc.—the other business activities of the firm. Product line groupings occur both at the business unit level (dinner products group, baked goods group, and desserts group) and at the product or brand group level (biscuit mixes and refrigerated biscuits). Though not shown directly in Figure 22-9, the salesforces are grouped geographically into regional

divisions, which in turn are grouped in regional districts, which in turn have field representatives.

10. Why are quantified goals in the planning phase of the strategic marketing process important for the evaluation phase?

Answer: The planning phase of the strategic marketing process sets quantitative, measurable goals that are to be achieved by a specific deadline. These are the target benchmarks with which actual performance is compared in the evaluation phase to identify deviations.

BUILDING YOUR MARKETING PLAN

Do the following activities to complete your marketing plan:

- 1. Draw a simple organizational chart for your organization.**
- 2. Develop a Gantt chart to schedule the key activities to implement your marketing plan.**
- 3. In terms of the evaluation phase, list (a) the four or five critical factors (such as revenues, number of customers, variable costs) and (b) how frequently (monthly, quarterly) you will monitor to determine if special actions are needed to exploit opportunities or correct deviations.**
- 4. Read Appendix A, “Building an Effective Marketing Plan.” Then write a 600-word executive summary for your marketing plan using the numbered headings shown in Appendix A.**

Answer: There are really wrap-up elements of the student marketing plans, two being essential and two being optional:

- a. The essential elements.** Venture capitalists reading marketing plans and considering investing money in new startups look at the proposed organization and the people in it to see if the people match the ideas. They also look at some kind of implementation schedule—suggested as a Gantt chart in Chapter 22—to see when key activities will occur. So these elements are essential in the students’ marketing plans.
- b. The optional element.** Effective managers have certain key performance measures they monitor to see if corrective actions are needed, but these measures may be beyond the scope of students’ marketing plans. Also, venture capitalists look at dozens or hundreds of marketing and business plans each year and usually read the two- or three- page executive summary in the front of the plan to see if the proposed

business excites their interest. If not, the plan goes into their wastebasket. If it does interest them, they probe the details of the plan itself. The executive summary is written only after the entire plan is written. A sample executive summary for Appendix A appears earlier in the Building Your Marketing Plan in Chapter 2. For short 15- or 20-page student marketing plan, many instructors consider an executive summary to be inappropriate, the reason for calling this element “optional” here.

Helping with Common Student Problems

Our experience is that students are often overwhelmed with the thought of condensing their (brilliant?!) 20- or 30-page marketing plan into a 2-page executive summary. One reason is that they have spent so much effort getting the marketing plan done that they cannot imagine deleting the amount of material from the plan needed to reduce it to a 2-page summary.

The result is that students fall back on statements in the executive summary like “the plan contains a specific mission statement” or “detailed financial projections appear in the plan”—assuming that the reader will then search for the items in the body of the marketing plan. NO! Wrong writing strategy for the executive summary! Instead, it should be presented with enough details to stimulate the reader’s desire to plunge into the body of the plan for even more specifics.

Regardless of whether instructors require an executive summary in student marketing plans, a useful exercise is to have them try to summarize one or two key elements of the plan in, say, 50 words each and share their summaries with the class for feedback.