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WHEN YOU FINISH THIS CHAPTER, YOU SHOULD

1. Understand what a marketing manager does.
2. Know what marketing strategy planning is—and why it will be the focus of this book.
3. Understand target marketing.
4. Be familiar with the four Ps in a marketing mix.
5. Know the difference between a marketing strategy, a marketing plan, and a marketing program.
6. Be familiar with the text's framework for marketing strategy planning—and why it involves a process of narrowing down from broad opportunities to the most attractive marketing strategy.
7. Know four broad types of marketing opportunities that help in identifying new strategies.
8. Understand why strategies for opportunities in international markets should be considered.
9. Understand the important new terms (shown in red).

CHAPTER TWO

Marketing Strategy Planning

As you saw in Chapter 1, marketing and marketing management are important in our society—and in business firms and nonprofit organizations. To get you thinking about the marketing strategy planning ideas we will be developing in this chapter and the rest of the book, let's consider Dell Computers.

As a freshman in college, Michael Dell started buying and reselling computers from his dorm room. At that time, the typical marketing mix for PCs emphasized distribution through specialized computer stores that sold to business users and some final consumers. Often the dealers' service quality didn't justify the high prices they charged, the features of the PCs they had in stock didn't match what customers wanted, and repairs were a hassle.

Dell decided there was a target market of price-conscious customers who would respond to a different marketing mix. He used direct-response advertising in computer magazines—and customers called a toll-free number to order a computer with the exact features

they wanted. Dell built computers to match the specific orders that came in and used UPS to quickly ship orders directly to the customer. Prices were low, too—because the direct channel meant there was no retailer markup and the build-to-order approach reduced inventory costs. This approach also kept Dell in constant contact with customers. Problems could be identified quickly and corrected. Dell also implemented the plan well—with constant improvements—to make good on its promise of reliable machines and superior service. For example, Dell pioneered a system of guaranteed on-site service—within 24 hours. Dell also set up ongoing programs to train all employees to work together to please customers.

Of course, it's hard to satisfy everyone all of the time. For example, profits fell when one of Dell's laptop designs didn't measure up. Customers simply didn't see them as a good value. However, smart marketers learn from and fix mistakes. Dell quickly got its product line back on the bull's eye.

As sales grew, Dell put more money into advertising. Its ad agency crafted ads to position Dell in consumers' minds as an aggressive, value-oriented source of computers. At the same time, Dell added a direct sales force to call on big government and corporate buyers—because they expected in-person selling and a relationship, not just a telephone contact. And when these important customers said they wanted Dell to offer high-power machines to run their corporate networks, Dell put money into R&D to create what they needed.

Dell also saw the prospect for international growth. Many firms moved into Europe by exporting. But Dell set up its own operations there. Dell knew it would be tough to win over skeptical European buyers. They had never bought big-ticket items such as PCs on the phone. Yet in less than five years, sales in Europe grew to 40 percent of Dell's total revenue and Dell pushed into Asian markets for more growth. That also posed challenges, so Dell's advertising manager invited major ad agencies to make presentations on how Dell could be more effective with its $80 million global advertising campaign.

By the mid 1990s, IBM and other firms were trying to imitate Dell's direct-order approach. However, the retailers who were selling the bulk of IBM's PCs were not happy about facing price competition from their own supplier! So IBM couldn't simply copy Dell's strategy. It was in conflict with the rest of IBM's marketing program.

As computer prices fell, many firms were worried about how to cope with slim profits. But Dell saw an opportunity for profitable growth by extending its direct model to a website (www.dell.com). Moreover, online selling lowered expenses and reduced supply and inventory costs. For example, when a customer ordered a PC produced in one factory and a monitor produced in another, the two pieces were brought together enroute to the customer. This cost cutting proved to be especially important when the economy softened and demand for PCs fell off. Building on its strengths, Dell cut prices in what many competitors saw as an "irrational" price war. But the design of Dell's website and sales system allowed it to charge different prices to different segments to match demand with supply. For example, high-margin laptops were priced lower to educational customers—to stimulate demand—than to government buyers who were less price sensitive. Similarly, if the supply of new 17-inch flat-screen monitors fell short, Dell could use an online promotion for 19-inch monitors and shift demand. To earn more profit from existing customers, Dell also put more emphasis on selling extended-care service agreements.

As PC sales taper off, Dell is seeking new growth with strategies that will enhance its marketing program. For example, Dell's new kiosks in retail stores and malls should reach new customers who want to shop and buy "in person." And product-development efforts include new lines of printers, handhelds, and network servers. In contrast, after screening the opportunity for new tablet computers, Dell decided *not* to be one of the earliest firms in that market.[1]

We've mentioned only a few of many decisions marketing managers at Dell had to make in developing marketing strategies, but you can see that each of these decisions affects the others. Further, making marketing decisions is never easy and strategies may need to change. Yet knowing what basic decision areas to consider helps you to plan a more successful strategy. This chapter will get you started by giving you a framework for thinking about marketing strategy planning—which is what the rest of this book is all about.

THE MANAGEMENT JOB IN MARKETING

In Chapter 1 you learned about the marketing concept—a philosophy to guide the whole firm toward satisfying customers at a profit. From the Dell case, it's clear that marketing decisions are very important to a firm's success. So let's look more closely at how a marketing manager helps a firm to achieve its objectives. Because the marketing manager is a manager, let's look at the marketing management process.

The **marketing management process** is the process of (1) *planning* marketing activities, (2) directing the *implementation* of the plans, and (3) *controlling* these plans. Planning, implementation, and control are basic jobs of all managers—but here we will emphasize what they mean to marketing managers.

Exhibit 2-1 shows the relationships among the three jobs in the marketing management process. The jobs are all connected to show that the marketing management process is continuous. In the planning job, managers set guidelines for the implementing job and specify expected results. They use these expected results in the control job to determine if everything has worked out as planned. The link from the control job to the planning job is especially important. This feedback often leads to changes in the plans or to new plans.

Marketing managers should seek new opportunities

Marketing managers cannot be satisfied just planning present activities. Markets are dynamic. Consumers' needs, competitors, and the environment keep changing. Consider Parker Brothers, a company that seemed to have a "Monopoly" in family

Exhibit 2-1
The Marketing Management Process

games. While it continued selling board games, firms like Sega, Sony, and Nintendo zoomed in with video game competition. Of course, not every opportunity is good for every company. Really attractive opportunities are those that fit with what the whole company wants to do and is able to do well.

Strategic management planning concerns the whole firm

The job of planning strategies to guide a whole company is called **strategic (management) planning**—the managerial process of developing and maintaining a match between an organization's resources and its market opportunities. This is a top-management job. It includes planning not only for marketing but also for production, finance, human resources, and other areas. In Chapter 20, we'll look at links between marketing and these areas.

Although marketing strategies are not whole-company plans, company plans should be market-oriented. And the marketing plan often sets the tone and direction for the whole company. So we will use *strategy planning* and *marketing strategy planning* to mean the same thing.[2]

WHAT IS MARKETING STRATEGY PLANNING?

Marketing strategy planning means finding attractive opportunities and developing profitable marketing strategies. But what is a "marketing strategy"? We have used these words rather casually so far. Now let's see what they really mean.

What is a marketing strategy?

A **marketing strategy** specifies a target market and a related marketing mix. It is a big picture of what a firm will do in some market. Two interrelated parts are needed:

1. A **target market**—a fairly homogeneous (similar) group of customers to whom a company wishes to appeal.
2. A **marketing mix**—the controllable variables the company puts together to satisfy this target group.

Exhibit 2-2
A Marketing Strategy

The importance of target customers in this process can be seen in Exhibit 2-2, where the target customer—the "C"—is at the center of the diagram. The customer is surrounded by the controllable variables that we call the "marketing mix." A typical marketing mix includes some product, offered at a price, with some promotion to tell potential customers about the product, and a way to reach the customer's place.

The marketing strategy for The Learning Company's software aims at a specific group of target customers: young parents who have a computer at home and want their kids to learn while playing. The strategy calls for a variety of educational software products—like *Reader Rabbit* and *Where in the World Is Carmen Sandiego?* The firm's software is designed with entertaining graphics and sound, and it's tested on kids to be certain that it is easy to use. To make it convenient for target customers to buy the software, it can be ordered from the firm's own website (www.learningcompany.com) or from other retailers like Toys "R" Us. Promotion has helped build customer interest in the software. For example, when marketing managers released *Where in Time Is Carmen Sandiego?* they not only placed ads in family-oriented computer magazines but also sent direct-mail flyers or e-mail to registered customers of the firm's other products. Some firms sell less-expensive games for kids, but parents are loyal to The Learning Company brand because it caters to their needs and offers first-class customer service—including a 90-day, no-questions-asked guarantee that assures the buyer of good customer value.[3]

SELECTING A MARKET-ORIENTED STRATEGY IS TARGET MARKETING

Target marketing is not mass marketing

Note that a marketing strategy specifies some *particular* target customers. This approach is called "target marketing" to distinguish it from "mass marketing." **Target marketing** says that a marketing mix is tailored to fit some specific target customers. In contrast, **mass marketing**—the typical production-oriented approach—vaguely aims at "everyone" with the same marketing mix. Mass marketing assumes that everyone is the same—and it considers everyone to be a potential customer. It may help to think of target marketing as the "rifle approach" and mass marketing as the "shotgun approach." See Exhibit 2-3.

Mass marketers may do target marketing

Commonly used terms can be confusing here. The terms *mass market**ing*** and *mass market**ers*** do not mean the same thing. Far from it! *Mass market**ing*** means trying to sell to "everyone," as we explained above. *Mass market**ers*** like Kraft Foods and Wal-Mart are aiming at clearly defined target markets. The confusion with mass marketing occurs because their target markets usually are large and spread out.

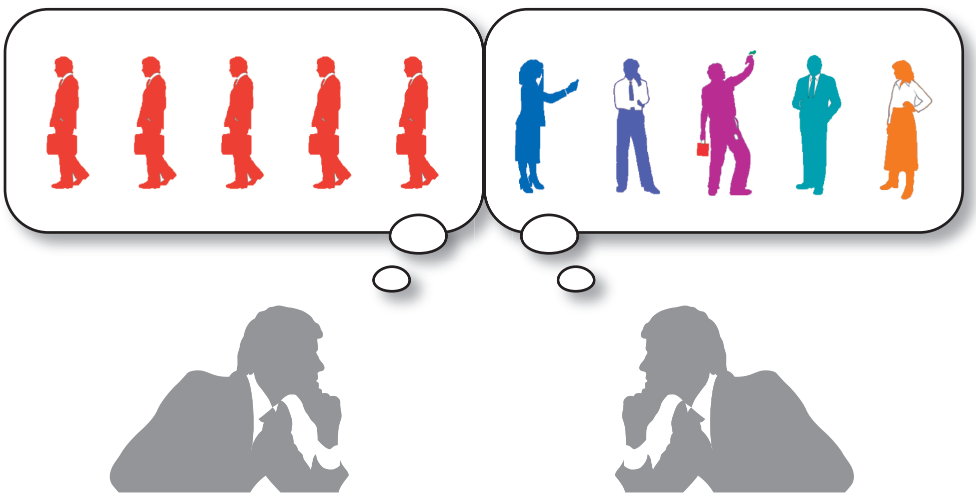
Target marketing can mean big markets and profits

Target marketing is not limited to small market segments—only to fairly homogeneous ones. A very large market—even what is sometimes called the "mass market"—may be fairly homogeneous, and a target marketer will deliberately aim at it. For example, a very large group of parents of young children are homogeneous on many dimensions—including their attitudes about changing baby diapers. In the United States alone, this group spends about $4 billion a year on disposable diapers—so it should be no surprise that it is a major target market for companies like Kimberly-Clark (Huggies) and Procter & Gamble (Pampers).

The basic reason to focus on some specific target customers is so that you can develop a marketing mix that satisfies those customers' *specific* needs better than they are satisfied by some other firm. For example, E*trade uses an Internet site (www.etrade.com) to target knowledgeable investors who want a convenient, low-cost way to buy and sell stocks online without a lot of advice (or pressure) from a salesperson.

When a firm carefully targets its marketing mix, it is less likely to face direct competitors. So superior customer value is achieved with the benefits provided by the whole marketing mix rather than just by relying on a lower price. Whole Foods Market

Exhibit 2-3
Production-Oriented and Marketing-Oriented Managers Have Different Views of the Market



(WFM) is a good example. Most grocery stores sell the same brands—so they compete on price and profits tend to be weak. In contrast, WFM makes attractive profits with a differentiated marketing mix that delights its target customers. WFM sees itself as a buying agent for its customers and not the selling agent for manufacturers—so it evaluates the ingredients, freshness, safety, taste, nutritive value, and appearance of all the products it carries. It hires people who love food. They don't just sell food—but rather help their customers appreciate the difference natural and organic products can make in the quality of their lives. Service is attentive, friendly, and offered with some flair, which helps make the store fun and inviting. Customers often socialize while they shop. Not everyone wants the marketing mix that WFM offers; but its target customers love shopping there—and they spread the word to others.

DEVELOPING MARKETING MIXES FOR TARGET MARKETS

There are many marketing mix decisions

There are many possible ways to satisfy the needs of target customers. A product might have many different features. Customer service levels before or after the sale can be adjusted. The package, brand name, and warranty can be changed. Various advertising media—newspapers, magazines, cable, the Internet—may be used. A company's own sales force or other sales specialists can be used. The price can be changed, discounts can be given, and so on. With so many possible variables, is there any way to help organize all these decisions and simplify the selection of marketing mixes? The answer is yes.

The four "Ps" make up a marketing mix

It is useful to reduce all the variables in the marketing mix to four basic ones:

Product.
Place.
Promotion.
Price.

It helps to think of the four major parts of a marketing mix as the "four Ps." Exhibit 2-4 emphasizes their relationship and their common focus on the target customer—"C."

Exhibit 2-4
A Marketing Strategy—Showing the Four Ps of a Marketing Mix

Customer is not part of the marketing mix

The customer is shown surrounded by the four Ps in Exhibit 2-4. Some students assume that the customer is part of the marketing mix—but this is not so. The customer should be the *target* of all marketing efforts. The customer is placed in the center of the diagram to show this. The C stands for some specific customers—the target market.

Exhibit 2-5 shows some of the strategy decision variables organized by the four Ps. These will be discussed in later chapters. For now, let's just describe each P briefly.

Product—the good or service for the target's needs

The Product area is concerned with developing the right "product" for the target market. This offering may involve a physical good, a service, or a blend of both. Keep in mind that Product is not limited to physical goods. For example, the Product of H & R Block is a completed tax form. The Product of a political party is the set of causes it will work to achieve. The important thing to remember is that your good or service should satisfy some customers' needs.

Along with other Product-area decisions like branding, packaging, and warranties, we will talk about developing and managing new products and whole product lines.

Exhibit 2-5
Strategy Decision Areas Organized by the Four Ps

Product	Place	Promotion	Price
Physical good	Objectives	Objectives	Objectives
Service	Channel type	Promotion blend	Flexibility
Features	Market exposure	Salespeople	Level over product life cycle
Benefits	Kinds of middlemen	Kind	Geographic terms
Quality level	Kinds and locations of stores	Number	Discounts
Accessories	How to handle transporting and storing	Selection	Allowances
Installation	Service levels	Training	
Instructions	Recruiting middlemen	Motivation	
Warranty	Managing channels	Advertising	
Product lines		Targets	
Packaging		Kinds of ads	
Branding		Media type	
		Copy thrust	
		Prepared by whom	
		Sales promotion	
		Publicity	

Place—reaching the target

Place is concerned with all the decisions involved in getting the "right" product to the target market's Place. A product isn't much good to a customer if it isn't available when and where it's wanted.

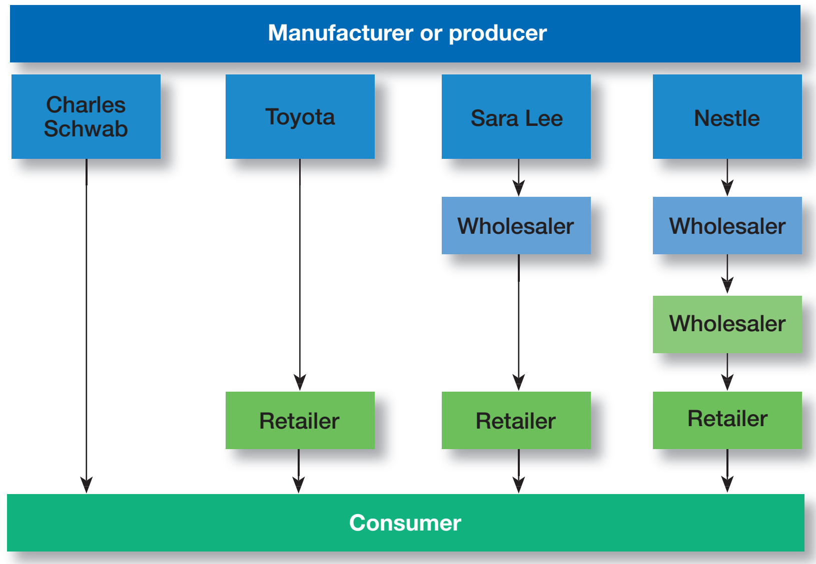
A product reaches customers through a channel of distribution. A **channel of distribution** is any series of firms (or individuals) that participate in the flow of products from producer to final user or consumer.

Sometimes a channel system is quite short. It may run directly from a producer to a final user or consumer. This is especially common in business markets and in the marketing of services. The channel is direct when a producer uses an online website to handle orders by target customers, whether the customer is a final consumer or an organization. So direct channels have become much more common since the development of the Internet.

On the other hand, often the channel system is much more complex—involving many different retailers and wholesalers. See Exhibit 2-6 for some examples. When

A firm's product may involve a physical good, a service, or a combination of both.

Exhibit 2-6
Four Examples of Basic Channels of Distribution for Consumer Products



a marketing manager has several different target markets, several different channels of distribution may be needed.

We will also see how physical distribution service levels and decisions concerning logistics (transporting, storing, and handling products) relate to the other Place decisions and the rest of the marketing mix.

Promotion—telling and selling the customer

The third P—Promotion—is concerned with telling the target market or others in the channel of distribution about the "right" product. Sometimes promotion is focused on acquiring new customers, and sometimes it's focused on retaining current customers. Promotion includes personal selling, mass selling, and sales promotion. It is the marketing manager's job to blend these methods of communication.

Personal selling involves direct spoken communication between sellers and potential customers. Personal selling usually happens face-to-face, but sometimes the communication occurs over the telephone or even via a video conference over the Internet. Personal selling lets the salesperson adapt the firm's marketing mix to each potential customer. But this individual attention comes at a price; personal selling can be very expensive. Often this personal effort has to be blended with mass selling and sales promotion.

Mass selling is communicating with large numbers of customers at the same time. The main form of mass selling is **advertising**—any *paid* form of nonpersonal presentation of ideas, goods, or services by an identified sponsor. **Publicity**—any *unpaid* form of nonpersonal presentation of ideas, goods, or services—is another important form of mass selling. Mass selling may involve a wide variety of media, ranging from newspapers and billboards to the Internet.

Sales promotion refers to those promotion activities—other than advertising, publicity, and personal selling—that stimulate interest, trial, or purchase by final customers or others in the channel. This can involve use of coupons, point-of-purchase materials, samples, signs, contests, catalogs, novelties, and circulars.

Price—making it right

In addition to developing the right Product, Place, and Promotion, marketing managers must also decide the right Price. Price setting must consider the kind of competition in the target market and the cost of the whole marketing mix. A manager must also try to estimate customer reaction to possible prices. Besides this, the manager must know current practices as to markups, discounts, and other terms of sale. And if customers won't accept the Price, all of the planning effort is wasted.

LIFETIME VALUE OF CUSTOMERS CAN BE VERY HIGH—OR VERY LOW

Investors lost millions when stock market values of dot-com firms collapsed after an initial, frenzied run up. But why did values get so high in the first place, especially when most dot-coms were not yet profitable? The stock went up because many investors expected that the firms would earn profits in the future as more consumers went online and the early dot-coms accumulated customers. These hopes were fueled by dot-coms that made optimistic predictions about the lifetime value of the customers they were acquiring. The lifetime value of the customer concept is not new. For decades General Motors has known that a consumer who buys a GM car and is satisfied is likely to buy another one the next time. If that happens again and again, over a lifetime the happy customer would spend $250,000 on GM cars. Of course, this only works if the firm's marketing mix attracts the target customers and the relationship keeps them satisfied before, during, and after every purchase. If you don't satisfy and retain customers they don't have high lifetime value and don't generate sales. Of course, sales revenue alone does not guarantee profits. For example, a firm can't give away products—or spend so much on promotion to acquire new customers (or keep the ones it has)—that the revenue will never be able to offset the costs. Unfortunately, that is what happened with many of the dot-coms. They saw how the financial arithmetic might work—*assuming* that new customers kept buying and costs came under control. But without a sensible marketing strategy, that assumption was not realistic.[4]

Each of the four Ps contributes to the whole

All four Ps are needed in a marketing mix. In fact, they should all be tied together. But is any one more important than the others? Generally speaking, the answer is no—all contribute to one whole. When a marketing mix is being developed, all (final) decisions about the Ps should be made at the same time. That's why the four Ps are arranged around the customer (C) in a circle—to show that they all are equally important.

Let's sum up our discussion of marketing mix planning thus far. We develop a *Product* to satisfy the target customers. We find a way to reach our target customers' *Place*. We use *Promotion* to tell the target customers (and others in the channel) about the product that has been designed for them. And we set a *Price* after estimating expected customer reaction to the total offering and the costs of getting it to them.

Strategy jobs must be done together

It is important to stress—it cannot be overemphasized—that selecting a target market *and* developing a marketing mix are interrelated. Both parts of a marketing strategy must be decided together. It is *strategies* that must be evaluated against the company's objectives—not alternative target markets or alternative marketing mixes.

Understanding target markets leads to good strategies

The needs of a target market often virtually determine the nature of an appropriate marketing mix. So marketers must analyze their potential target markets with great care. This book will explore ways of identifying attractive market opportunities and developing appropriate strategies.

These ideas can be seen more clearly with an example in the children's fashion market.

Market-oriented strategy planning at Toddler University

The case of Jeff Silverman and Toddler University (TU), Inc., a shoe company he started, illustrates the strategy planning process. During high school and college, Silverman worked as a salesperson at local shoe stores. He also gained valuable experience during a year working for Nike. From these jobs he learned a lot about customers' needs and interests. He also realized that some parents were not satisfied when it came to finding shoes for their preschool children.

Silverman thought that there was a large, but hard to describe, mass market for general-purpose baby shoes—perhaps 60 or 70 percent of the potential for all kinds

Toddler University's marketing strategy was successful because it developed a distinctive marketing mix that was precisely relevant to the needs of its target market.

of baby shoes. Silverman did not focus on this market because it didn't make sense for his small company to compete head on with many other firms where he had no particular advantage. However, he identified four other markets that were quite different. In the following description of these markets, note that useful marketing mixes come to mind immediately.

The *Traditionalists* seemed to be satisfied with a well-manufactured shoe that was available from "quality" stores where they could seek help in selecting the right size and fit. They didn't mind if the design was old-fashioned and didn't change. They wanted a well-known brand that had a reputation for quality, even if it was a bit more expensive.

Many of the *Economy Oriented* parents were in the lower income group. They wanted a basic shoe at a low price. They saw baby shoes as all pretty much the same—so a "name" brand didn't have much appeal. They were willing to shop around to see what was on sale at local discount, department, or shoe stores.

The *Fashion Conscious* were interested in dressing up baby in shoes that looked like smaller versions of the latest styles that they bought for themselves. Fit was important, but beyond that a colorful design is what got their attention. They were more likely to look for baby-size shoes at the shop where they bought their own athletic shoes.

The *Attentive Parents* wanted shoes that met a variety of needs. They wanted shoes to be fun and fashionable and functional. They didn't want just a good fit but also design and materials that were really right for baby play and learning to walk. These well-informed, upscale shoppers were likely to buy from a store that specialized in baby items. They were willing to pay a premium price if they found the right product.

Silverman thought that Stride Rite and Buster Brown were meeting the needs of the Traditionalists quite well. The Economy Oriented and Fashion Conscious customers were satisfied with shoes from a variety of other companies, including Nike. But Silverman saw a way to get a toe up on the competition by targeting the Attentive Parents with a marketing mix that combined, in his words, "fit and function with fun and fashion." He developed a detailed marketing plan that attracted financial backers, and at age 24 his company came to life.

TU didn't have its own production facilities, so Silverman contracted with a producer in Taiwan to make shoes with his brand name and to his specs. And his specs were different—they improved the product for his target market. Unlike most rigid high-topped infant shoes, he designed softer shoes with more comfortable rubber soles. The shoes lasted longer because they are stitched rather than glued. An extrawide opening made fitting easier on squirming feet. He also patented a special insert so parents could adjust the width. This change also helped win support from retailers. Since there are 11 sizes of children's shoes—and five widths—retailers usually need to stock 55 pairs of each model. TU's adjustable width reduced this stocking problem and made it more profitable for retailers to sell the line. It also made it possible for TU to resupply soldout inventory faster than competitors. Silverman's Product and Place decisions worked together well to provide customer value and also to give him a competitive advantage.

For promotion, Silverman developed print ads with close-up photos of babies wearing his shoes and informative details about their special benefits. Creative packaging also helped promote the shoe and attract customers in the store. For example, he put one athletic-style shoe in a box that looked like a gray gym locker. Silverman also provided the stores with "shoe rides"—electric-powered rocking replicas of its shoes. The rides not only attracted kids to the shoe department, but since they were coin-operated, they paid for themselves in a year.

TU priced most of its shoes at $35 to $40 a pair. This is a premium price, but with today's smaller families, the Attentive Parents are willing to spend more on each child.

In just four years, TU's sales jumped from $100,000 to over $40 million. To keep growth going, Silverman expanded distribution to reach new markets in Europe. To take advantage of TU's relationship with its satisfied target customers, he also added shoes for older kids to the Toddler University product assortment. Then Silverman made his biggest sale of all: He sold his company to Genesco, one of the biggest firms in the footwear business.[5]

THE MARKETING PLAN IS A GUIDE TO IMPLEMENTATION AND CONTROL

Marketing plan fills out marketing strategy

As the Toddler University case illustrates, a marketing strategy sets a target market and a marketing mix. It is a big picture of what a firm will do in some market. A marketing plan goes farther. A **marketing plan** is a written statement of a marketing strategy *and* the time-related details for carrying out the strategy. It should spell out the following in detail: (1) what marketing mix will be offered, to whom (that is, the target market), and for how long; (2) what company resources (shown as costs) will be needed at what rate (month by month perhaps); and (3) what results are expected (sales and profits perhaps monthly or quarterly, customer satisfaction levels, and the like). The plan should also include some control procedures—so that whoever is to carry out the plan will know if things are going wrong. This might be something as simple as comparing actual sales against expected sales—with a warning flag to be raised whenever total sales fall below a certain level.

In Chapter 21 we will take a closer look at what is in a marketing plan. At that point, you will have learned about all of the major strategy decision areas (Exhibit 2-5) and how to blend them into an innovative strategy.

Implementation puts plans into operation

After a marketing plan is developed, a marketing manager knows *what* needs to be done. Then the manager is concerned with **implementation**—putting marketing plans into operation.

Strategies work out as planned only when they are effectively implemented. Many **operational decisions**—short-run decisions to help implement strategies—may be needed.

Managers should make operational decisions within the guidelines set down during strategy planning. They develop product policies, place policies, and so on

Exhibit 2-7 Relation of Strategy Policies to Operational Decisions for Baby Shoe Company

Marketing Mix Decision Area	Strategy Policies	Likely Operational Decisions
Product	Carry as limited a line of colors, styles, and sizes as will satisfy the target market.	Add, change, or drop colors, styles, and/or sizes as customer tastes dictate.
Place	Distribute through selected "baby-products" retailers that will carry the full line and provide good in-store sales support and promotion.	In market areas where sales potential is not achieved, add new retail outlets and/or drop retailers whose performance is poor.
Promotion	Promote the benefits and value of the special design and how it meets customer needs.	When a retailer hires a new salesperson, send current training package with details on product line; increase use of local newspaper print ads during peak demand periods (before holidays, etc.).
Price	Maintain a "premium" price, but encourage retailers to make large-volume orders by offering discounts on quantity purchases.	Offer short-term introductory price "deals" to retailers when a new style is first introduced.

as part of strategy planning. Then operational decisions within these policies probably will be necessary—while carrying out the basic strategy. Note, however, that as long as these operational decisions stay within the policy guidelines, managers are making no change in the basic strategy. If the controls show that operational decisions are not producing the desired results, however, the managers may have to reevaluate the whole strategy—rather than just working harder at implementing it.

It's easier to see the difference between strategy decisions and operational decisions if we illustrate these ideas using our Toddler University example. Possible four-P or basic strategy policies are shown in the left-hand column in Exhibit 2-7, and examples of operational decisions are shown in the right-hand column.

It should be clear that some operational decisions are made regularly—even daily—and such decisions should not be confused with planning strategy. Certainly, a great deal of effort can be involved in these operational decisions. They might take a good part of the sales or advertising manager's time. But they are not the strategy decisions that will be our primary concern.

Our focus in this text is on developing marketing strategies. But eventually marketing managers must control the marketing plans that they develop and implement.[6]

Control is analyzing and correcting what you've done

The control job provides the feedback that leads managers to modify their marketing strategies. To maintain control, a marketing manager uses a number of tools—like computer sales analysis, marketing research surveys, and accounting analysis of expenses and profits. Chapter 19 considers the important topic of controlling marketing plans and programs.

In addition, as we talk about each of the marketing decision areas, we will discuss some of the control problems. This will help you understand how control keeps the firm on course—or shows the need to plan a new course.

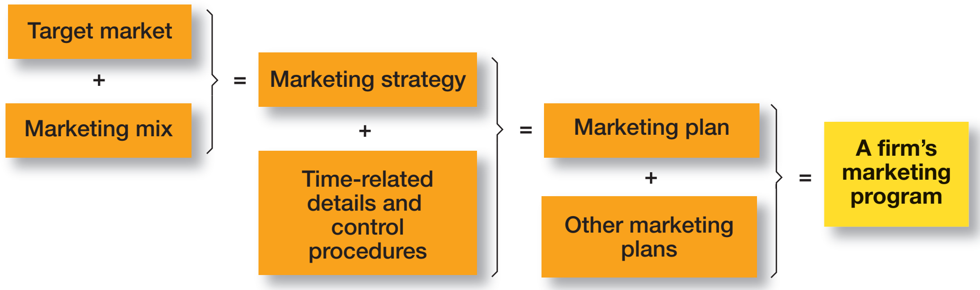
All marketing jobs require planning and control

At first, it might appear that only high-level management or large companies need be concerned with planning and control. This is not true. Every organization needs planning—and without control it's impossible to know if the plans are working.

Several plans make a whole marketing program

Most companies implement more than one marketing strategy—and related marketing plan—at the same time. They may have several products—some of them quite different—that are aimed at different target markets. The other elements of

Exhibit 2-8
Elements of a Firm's Marketing Program



the marketing mix may vary too. Gillette's Right Guard deodorant, its Mach3 razor blades, and its Duracell Ultra batteries all have different marketing mixes. Yet the strategies for each must be implemented at the same time.[7]

A **marketing program** blends all of the firm's marketing plans into one "big" plan. See Exhibit 2-8. This program, then, is the responsibility of the whole company. Typically, the whole *marketing program* is an integrated part of the whole-company strategic plan we discussed earlier.

We will emphasize planning one marketing strategy at a time, rather than planning—or implementing—a whole marketing program. This is practical because it is important to plan each strategy carefully. Too many marketing managers fall into sloppy thinking. They try to develop too many strategies all at once—and don't develop any very carefully. However, when new strategies are evaluated, it makes sense to see how well they fit with the existing marketing program. And, we'll talk about merging plans into a marketing program in Chapter 21.

Marketing strategy planning may be very important to you soon—maybe in your present job or college activities. In Appendix C on marketing careers, we present some strategy planning ideas for getting a marketing job.

THE IMPORTANCE OF MARKETING STRATEGY PLANNING

We emphasize the planning part of the marketing manager's job for a good reason. The "onetime" strategy decisions—the decisions that decide what business the company is in and the strategies it will follow—usually determine success, or failure. An extremely good plan might be carried out badly and still be profitable, while a poor but well-implemented plan can lose money. The case history that follows shows the importance of planning and why we emphasize marketing strategy planning throughout this text.

Time for new strategies in the watch industry

The conventional watchmakers—both domestic and foreign—had always aimed at customers who thought of watches as high-priced, high-quality symbols to mark special events, like graduations or retirement. Advertising was concentrated around Christmas and graduation time and stressed a watch's symbolic appeal. Expensive jewelry stores were the main retail outlets.

This commonly accepted strategy of the major watch companies ignored people in the target market that just wanted to tell the time and were interested in a reliable, low-priced watch. So the U.S. Time Company developed a successful strategy around its Timex watches and became the world's largest watch company. Timex completely upset the watch industry—both foreign and domestic—not only by offering a good product (with a one-year repair or replace guarantee) at a lower price, but also by using new, lower-cost channels of distribution. Its watches were widely available in drugstores, discount houses, and nearly any other retail stores that would carry them.

Timex has revised its strategy over the years and found new ways to meet consumer needs. Now it is developing new products, like the heart monitor highlighted in this ad, that take Timex beyond watches into other consumer electronics product-markets.

Marketing managers at Timex soon faced a new challenge. Texas Instruments, a new competitor in the watch market, took the industry by storm with its low-cost but very accurate electronic watches—using the same channels Timex had originally developed. But other firms quickly developed a watch that used a more stylish liquid crystal display for the digital readout. Texas Instruments could not change quickly enough to keep up, and the other companies took away its customers. The competition became so intense that Texas Instruments stopped marketing watches altogether.

While Timex and others were focusing on lower-priced watches, Japan's Seiko captured a commanding share of the high-priced gift market for its stylish and accurate quartz watches by obtaining strong distribution. All of this forced many traditional watchmakers—like some of the once-famous Swiss brands—to close their factories.

Then Switzerland's Swatch launched its colorful, affordable plastic watches and changed what consumers see when they look at their watches. Swatch promoted its watches as fashion accessories and set them apart from those of other firms, whose ads squabbled about whose watches were most accurate and dependable. Swatch was also able to attract new retailers by focusing its distribution on upscale fashion and department stores. The total size of the watch market increased because many consumers bought several watches to match different fashions.

The economic downturn in the early 1990s brought more changes. Consumers were more cost conscious and less interested in expensive watches like those made by Rolex that were the "in" status symbol a few years earlier. The reemergence of value-seeking customers prompted Timex to return to its famous advertising tagline of the 1960s: "It takes a licking and keeps on ticking." Its position as the inexpensive-but-durable choice has helped it strengthen its distribution and has given it a leg up in getting shelf space for new products, such as its Indiglo line of watches.

By the turn of the century, the total market for watches was growing at only about 5 percent a year. To spark higher sales of its lines, Timex pushed to introduce more watches that combine time-telling and other needs. For example, Timex watches include heart-rate monitors, GPS systems to compute a runner's distance and speed, personal digital assistant functions (including data links to a computer), and Internet messenger capabilities so a watch can receive short text messages, like an alert from the wearer's stockbroker that it's time to sell. Of course, all the new features can make a watch more complicated to use, so Timex has promoted its I-control technology, which makes its watches "ridiculously easy to use." However, the competition is on the move as well. For example, Fossil, Inc., and Citizen Watch Company were the first watch companies to incorporate Microsoft's new operating system for SPOT (Small Personal Objective Technology). These watches connect to a wireless network to provide a variety of information services, including traffic and weather reports. With such changes always underway, marketing strategies at Timex must be constantly updated and revised.[8]

INTERNET EXERCISE

Go to the Fossil Watch website (www.fossil.com) and search for its "Fossil Tech" line of watches. Review what the website says about the subscription service for use with Fossil's MSN Direct watch. Do you think that Timex will offer a similar service? Why or why not?

CREATIVE STRATEGY PLANNING NEEDED FOR SURVIVAL

Dramatic shifts in strategy—like those described above—may surprise conventional, production-oriented managers. But such changes should be expected. Managers who embrace the marketing concept realize that they cannot just define their line of business in terms of the products they currently produce or sell. Rather, they have to think about the basic consumer needs they serve, how those needs may change in the future, and how they can improve the value they offer to customers. If they are too nearsighted, they may fail to see what's coming until too late.

Creative strategy planning is becoming even more important. Domestic and foreign competition threatens those who can't provide superior customer value and find ways to build stronger relationships with customers. New markets, new customers, and new ways of doing things must be found if companies are to operate profitably in the future—and contribute to the macro-marketing system.

Focus on "best practices" for improved results

The case studies and concepts in this chapter highlight effective marketing thinking. Throughout the text, we will continue with this thrust—focusing on marketing frameworks and concepts that produce good results. Some of these are new and innovative, and others are well established. What they have in common is that they all work well.

Sometimes we will warn you about marketing errors—so you can avoid them. But we won't just give you laundry lists of different approaches and then leave it to you to guess what might work. Rather, our focus will be on "best-practices" marketing.

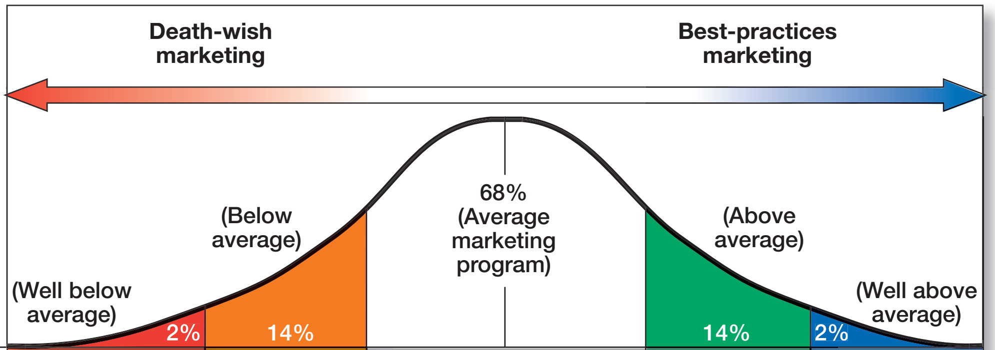
There is an important reason for this approach. In too many firms, managers do a poor job planning and implementing marketing strategies and programs. And, as shown in Exhibit 2-9, this type of "death-wish" marketing is both costly and ineffective. In fact, you can see that even the average marketing program isn't producing great results—and that accounts for the majority of firms!

Exhibit 2-9 was developed by experts at Copernicus, one of the premier marketing research and consulting firms in the world. As these experts indicate in the chart, some managers are creating marketing programs that produce exceptional results for their companies. This book will help you do exactly that.

WHAT ARE ATTRACTIVE OPPORTUNITIES?

Effective marketing strategy planning matches opportunities to the firm's resources (what it can do) and its objectives (what top management wants to do). Successful strategies get their start when a creative manager spots an attractive market opportunity. Yet an opportunity that is attractive for one firm may not be attractive for another. Attractive opportunities for a particular firm are those that the firm has some chance of doing something about—given its resources and objectives.

Exhibit 2-9 Distribution of Different Firms Based on Their Marketing Performance



MARKETING PERFORMANCE:	TOTAL FAILURE	POOR	FAIR	GOOD	EXCEPTIONAL
Marketing Share	Dramatic Decline	Significant Decline	Modest Decline	Increase	Dramatic Increase
New Product Success	0%	5%	10%	25%	40%+
Advertising ROI	Negative	0%	1–4%	5–10%	20%
Sales Promotion	Disaster	Unprofitable	Marginally Unprofitable	Profitable	Very Profitable
Customer Satisfaction	0–59%	60–69%	70–79%	80–89%	90–95%
Customer Acquisition Efforts	Disturbing Losses	Significant Losses	Marginal Losses	Break Even	Profitable
Customer Retention/Loyalty	0–44%	45–59%	60–74%	75–89%	90–94%

Breakthrough opportunities are best

Throughout this book, we will emphasize finding **breakthrough opportunities**—opportunities that help innovators develop hard-to-copy marketing strategies that will be very profitable for a long time. That's important because there are always imitators who want to "share" the innovator's profits—if they can. It's hard to continuously provide *superior* value to target customers if competitors can easily copy your marketing mix.

Competitive advantage is needed—at least

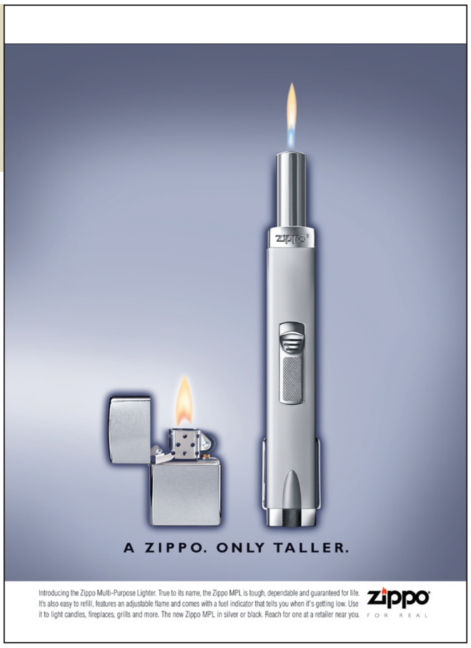
Even if a manager can't find a breakthrough opportunity, the firm should try to obtain a competitive advantage to increase its chances for profit or survival. **Competitive advantage** means that a firm has a marketing mix that the target market sees as better than a competitor's mix. A competitive advantage may result from efforts in different areas of the firm—cost cutting in production, innovative R&D, more effective purchasing of needed components, or financing for a new distribution facility. Similarly, a strong sales force, a well-known brand name, or good dealers may give it a competitive advantage in pursuing an opportunity. Whatever the source, an advantage only succeeds if it allows the firm to provide superior value and satisfy customers better than some competitor.

Sometimes a firm can achieve breakthrough opportunities and competitive advantage by simply fine-tuning its current marketing mix(es) or developing closer relationships with its customers. Other times it may need new facilities, new people in new parts of the world, and totally new ways of solving problems. But every firm needs some competitive advantage—so the promotion people have something unique to sell and success doesn't just hinge on offering lower and lower prices.[9]

Avoid hit-or-miss marketing with a logical process

You can see why a manager *should* seek attractive opportunities. But that doesn't mean that everyone does—or that everyone can turn an opportunity into a successful strategy. As Exhibit 2-9 shows, too many firms settle for the sort of death-wish marketing that doesn't satisfy customers or make a profit—to say nothing about achieving a breakthrough or providing superior value. It's all too easy for a well-intentioned manager to react in a piecemeal way to what appears to be an opportunity. Then by the time the problems are obvious, it's too late.

Attractive new opportunities are often fairly close to markets the firm already knows.



Developing a successful marketing strategy doesn't need to be a hit-or-miss proposition. And it won't be if you learn the marketing strategy planning process developed in this text. Exhibit 2-10 summarizes the marketing strategy planning process we'll be developing throughout the rest of the chapters.

MARKETING STRATEGY PLANNING PROCESS HIGHLIGHTS OPPORTUNITIES

We've emphasized that a marketing strategy requires decisions about the specific customers the firm will target and the marketing mix the firm will develop to appeal to that target market. We can organize the many marketing mix decisions (review Exhibit 2-5) in terms of the four Ps—Product, Place, Promotion, and Price. Thus, the "final" strategy decisions are represented by the target market surrounded by the four Ps. However, the idea isn't just to come up with *some* strategy. After all, there are hundreds or even thousands of combinations of marketing mix decisions and target markets (i.e., strategies) that a firm might try. Rather, the challenge is to zero in on the best strategy.

Process narrows down from broad opportunities to specific strategy

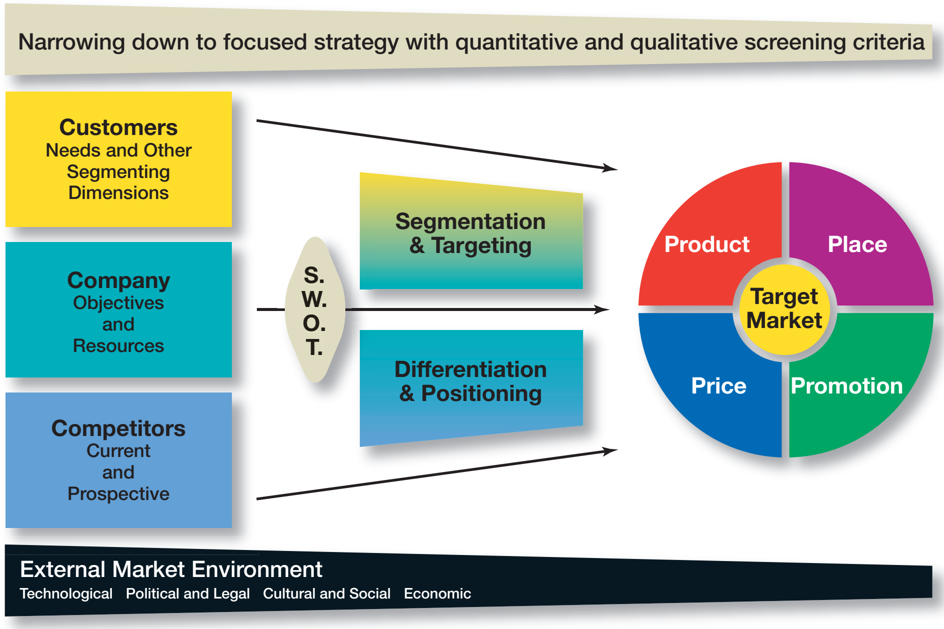
As Exhibit 2-10 suggests, it is useful to think of the marketing strategy planning process as a narrowing-down process. Later in this chapter and in the next two chapters we will go into more detail about strategy decisions relevant to each of the terms in this figure. Then, throughout the rest of the book, we will present a variety of concepts and "how to" frameworks that will help you improve the way you make these strategy decisions. As a preview of what's coming, let's briefly overview the general logic of the process depicted in Exhibit 2-10.

The process starts with a broad look at a market—paying special attention to customer needs, the firm's objectives and resources, and competitors. This helps to identify new and unique opportunities that might be overlooked if the focus is narrowed too quickly.

Segmentation helps pinpoint the target

A key objective of marketing is to satisfy the needs of some group of customers that the firm serves. Broadly speaking, then, in the early stages of a search for opportunities we're looking for customers with needs that are not being satisfied as well as they

Exhibit 2-10
Overview of Marketing Strategy Planning Process



might be. Of course, potential customers are not all alike. They don't all have the same needs—nor do they always want to meet needs in the same way. Part of the reason is that there are different possible types of customers with many different characteristics. For example, individual consumers often have different needs than organizations, and people with certain attitudes or interests have different preferences for how they spend their time, what shows they watch, and the like. In spite of the many possible differences, there often are subgroups (segments) of consumers who are similar and could be satisfied with the same marketing mix. Thus, we try to identify and understand these different subgroups—with market segmentation. We will explain approaches for segmenting markets later in Chapter 3. Then, in Chapters 5 to 7, we delve into the many interesting aspects of customer behavior. For now, however, you should know that really understanding customers is at the heart of using market segmentation to narrow down to a specific target market. In other words, segmentation helps a manager decide to serve some segment(s)—subgroup(s) of customers—and not others.

Narrow down to a superior marketing mix

A marketing mix must meet the needs of target customers, but a firm isn't likely to get a competitive advantage if it *just* meets needs in the same way as some other firm. So in evaluating possible strategies, the marketing manager should think about whether there is a way to differentiate the marketing mix. **Differentiation** means that the marketing mix is distinct from and better than what is available from a competitor. Sometimes the difference is based mainly on one important element of the marketing mix—say, an improved product or faster delivery. However, differentiation often requires that the firm fine-tune all of the elements of its marketing mix to the specific needs of a distinctive target market. Differentiation is also more obvious to target customers when there is a consistent theme integrated across the four Ps decision areas. That emphasizes the difference so target customers will think of the firm as being in a unique position to meet their needs. For example, in Norway many auto buyers are particularly concerned about safety in the snow. So Audi offers a permanent four-wheel drive system, called quattro, that helps the car to hold the road. Audi ads emphasize this differentiation. Rather than show the car, however, the ads feature things that are very sticky (like bubblegum!) and the only text is the headline "sticks like quattro" and the Audi brand name. Of course, handling is not Audi's only strength, but it is an important one in helping to position Audi as

This Norwegian ad for the Audi Quattro simply says, "Sticks like quattro." Although it doesn't show the car at all, it helps to differentiate the Audi and its four-wheel drive system that holds the road especially well, even in the snow.

better than competing brands with this target market. In contrast, consider General Motors' decision to discontinue the 100-year-old Oldsmobile line. In spite of repeated efforts, marketers for Oldsmobile were no longer able to develop a differentiated position in the crowded U.S. auto market. And when target customers don't see an advantage with a firm's marketing mix, they just move on.[10]

In Chapter 3, we'll introduce concepts relevant to this sort of positioning. Then, in Chapters 9 to 18, we'll cover the many ways in which the four Ps of the marketing mix can be differentiated. For now you can see that the thrust is to narrow down from all possible marketing mixes to one that is differentiated to meet target customers' needs particularly well. Of course, finding the best differentiation requires that we understand competitors as well as customers.

Screening criteria make it clear why you select a strategy

There are usually more different opportunities—and strategy possibilities—than a firm can pursue. Each one has its own advantages and disadvantages. Trends in the external market environment may make a potential opportunity more or less attractive. These complications can make it difficult to zero in on the best target market and marketing mix. However, developing a set of specific qualitative and quantitative screening criteria can help a manager define what business and markets the firm wants to compete in. It can also help eliminate potential strategies that are not well suited for the firm. We will cover screening criteria in more detail in Chapter 4. For now, you should realize that the criteria you select in a specific situation grow out of an analysis of the company's objectives and resources.

S.W.O.T. analysis highlights advantages and disadvantages

A useful aid for identifying relevant screening criteria and for zeroing in on a feasible strategy is **S.W.O.T. analysis**—which identifies and lists the firm's strengths and weaknesses and its opportunities and threats. The name S.W.O.T. is simply an abbreviation for the first letters of the words strengths, weaknesses, opportunities, and threats. A good S.W.O.T. analysis helps the manager focus on a strategy that takes advantage of the firm's opportunities and strengths while avoiding its weaknesses and threats to its success. These can be compared with the pros and cons of different strategies that are considered.

The marketing strategy developed by Amilya Antonetti illustrates the basic ideas behind a S.W.O.T. analysis. Her son was allergic to the chemicals in standard detergents—and her research showed that many other children had the same problem. So she started SoapWorks and developed a line of hypoallergenic cleaning products to pursue this opportunity. Unlike the big firms, she didn't have relations with grocery chains or money for national TV ads. To get around these weaknesses, she used inexpensive radio ads in local markets and touted SoapWorks as a company created for moms by a mom who cared about kids. She had a credible claim that the big corporations couldn't make. Her ads also helped her get shelf space because they urged other mothers to ask for SoapWorks products and to tell friends about stores that carried them. This wasn't the fastest possible way to introduce a new product line, but her cash-strapped strategy played to her unique strengths with her specific target market.[11]

INTERNET EXERCISE

Go to the SoapWorks website (www.soapworks.com) and click on the link for its store locator. Click your state on the map and see if there is a retailer in your area that carries SoapWorks products. Check several other states in different regions of the country. Why do you think that SoapWorks has distribution through retail stores in some states but not in others?

Exhibit 2-10 focuses on planning each strategy carefully. Of course, this same approach works well when several strategies are to be planned. Then, having an organized evaluation process is even more important. It forces everyone involved to think through how the various strategies fit together as part of an overall marketing program.[12]

TYPES OF OPPORTUNITIES TO PURSUE

Some alert marketers seem to be able to spot attractive opportunities everywhere they look. This seems reasonable when you recognize that most people have unsatisfied needs. Unfortunately, many opportunities seem "obvious" only after someone else identifies them. So, early in the marketing strategy planning process it's useful for marketers to have a framework for thinking about the broad kinds of opportunities they may find. Exhibit 2-11 shows four broad possibilities: market penetration, market development, product development, and diversification. We will look at these separately, but some firms pursue more than one type of opportunity at the same time.

Market penetration

Market penetration means trying to increase sales of a firm's present products in its present markets—probably through a more aggressive marketing mix. The firm may try to strengthen its relationship with customers to increase their rate of use or repeat purchases, or try to attract competitors' customers or current nonusers. Coleman got a 50 percent increase in sales of its outdoor equipment, like camping lanterns and stoves, by reaching its target market with special promotional displays at outdoor events like concerts, fishing tournaments, and NASCAR races. For example, about 250,000 auto racing fans camp on-site at NASCAR races each year—so a display at the campground is an effective way to reach customers when they have leisure time to browse through product displays and demos.[13]

New promotion appeals alone may not be effective. A firm may need to make it easier for customers to place repeat orders on the Internet. Or it may need to add more stores in present areas for greater convenience. Short-term price cuts or coupon offers may help.

Many firms try to increase market penetration by developing closer relationships with customers so that they will be loyal. Frequent buyer clubs use this approach. Similarly, firms often analyze customer databases to identify "cross-selling" opportunities. For example, when a customer goes online to register Adobe's Photoshop, the web page promotes other related products, including its popular Acrobat Reader.

Exhibit 2-11
Four Basic Types of Opportunities

	Present products	New products
Present markets	Market penetration	Product development
New markets	Market development	Diversification

Market development

Market development means trying to increase sales by selling present products in new markets. This may involve searching for new uses for a product. E-Z-Go, a producer of golf carts, has done this. Its carts are now a quiet way for workers to get around malls, airports, and big factories. The large units are popular as utility vehicles on farms, at outdoor sports events, and at resorts. E-Z-Go even fits carts with ice compartments and cash drawers so they can be used for mobile food services.

Firms may also try advertising in different media to reach new target customers. Or they may add channels of distribution or new stores in new areas, including overseas. For example, to reach new customers, McDonald's has opened outlets in airports, zoos, casinos, and military bases. And it's rapidly expanded into international markets with outlets in places like Russia, Brazil, and China.[14]

Product development

Product development means offering new or improved products for present markets. By knowing the present market's needs, a firm may see new ways to satisfy customers. For example, kids are the big consumers of ketchup. So Heinz figured out how ketchup could be more fun. Producing ketchup in gross green and funky purple colors—in an EZ Squirt dispenser molded to fit little hands—increased sales so much that the factory had to run 24/7. Ski resorts have developed trails for hiking and biking to bring their winter ski customers back in the summer. Nike moved beyond shoes and sportswear to offer its athletic target market a running watch, digital audio player, and even a portable heart-rate monitor. And of course Intel boosts sales by developing newer and faster chips.[15]

Diversification

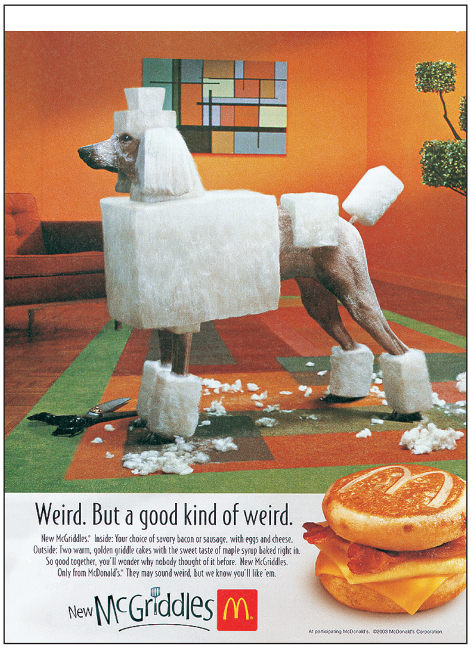
Diversification means moving into totally different lines of business—perhaps entirely unfamiliar products, markets, or even levels in the production-marketing system. Products and customers that are very different from a firm's current base may look attractive to the optimists—but these opportunities are usually hard to evaluate. That's why diversification usually involves the biggest risk. McDonald's, for example, opened two hotels in Switzerland. The plan was to serve families on the weekend, but business travelers were the target during the week. Business travelers are not the group that McDonald's usually serves, and an upscale hotel is also very different from a fast-food restaurant. This helps to explain why operation of the Golden Arch hotels was taken over by a hospitality management company after two years. On the other hand, diversification can be successful—especially when the new strategy fits well with the firm's resources and marketing program.[16]

Which opportunities come first?

Usually firms find attractive opportunities fairly close to markets they already know. This may allow them to capitalize on changes in their present markets—or more basic changes in the external environment. Moreover, many firms are finding that the easiest way to increase profits is to do a better job of hanging onto the customers that they've already won—by meeting their needs so well that they wouldn't consider switching to another firm.

For these reasons, most firms think first of greater market penetration. They want to increase profits where they already have experience and strengths. On the other hand, many firms are proving that market development—including the move into new international markets—is another profitable way to take advantage of current strengths.

McDonald's pursues growth in a variety of ways including new product development efforts, like its Grilled Chicken Flatbread sandwich and McGriddles breakfast sandwich, to offer customers more reasons to eat at McDonald's.



INTERNATIONAL OPPORTUNITIES SHOULD BE CONSIDERED

It's easy for a marketing manager to fall into the trap of ignoring international markets, especially when the firm's domestic market is prosperous. Yet there are good reasons to go to the trouble of looking elsewhere for opportunities.

The world is getting smaller

International trade is increasing all around the world, and trade barriers are coming down. In addition, advances in e-commerce, transportation, and communications are making it easier and cheaper to reach international customers. With an Internet website and e-mail, even the smallest firm can provide international customers with a great deal of information—and easy ways to order—at very little expense. E-commerce ordering can be fast and efficient whether the customer is a mile away or in another country. Around the world, potential customers have needs and money to spend. The real question is whether a firm can effectively use its resources to meet these customers' needs at a profit.

Develop a competitive advantage at home and abroad

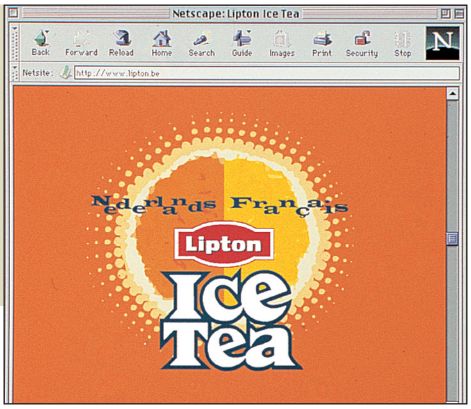
If customers in other countries are interested in the products a firm offers—or could offer—serving them may improve economies of scale. Lower costs (and prices) may give a firm a competitive advantage both in its home markets *and* abroad. Black and Decker, for example, uses electric motors in many of its tools and appliances. By selling overseas as well as in the United States, it gets economies of scale and the cost per motor is very low.

Marketing managers who are only interested in the "convenient" customers in their own backyards may be rudely surprised to find that an aggressive, low-cost foreign producer is willing to pursue those customers—even if doing it is not convenient. Many companies that thought they could avoid the struggles of international competition have learned this lesson the hard way. The owner of Purafil, a small firm in Atlanta that makes air purification equipment, puts it this way: "If I'm not [selling to an oil refinery] in Saudi Arabia, somebody else is going to solve their problem, then come attack me on my home turf."[17]

Get an early start in a new market

Different countries are at different stages of economic and technological development, and their consumers have different needs at different times.

Lipton is pursuing new customers and growth in over 100 countries. For example, its multilingual website in Belgium explains how to make exotic cocktails from Ice Tea, and in Asia it encourages consumer trial with free samples.



A company facing tough competition, thin profit margins, and slow sales growth at home may get a fresh start in another country where demand for its product is just beginning to grow. A marketing manager may be able to transfer marketing know-how—or some other competitive advantage—the firm has already developed. Consider JLG, a Pennsylvania-based producer of equipment used to lift workers and tools at construction sites. Faced with tough competition, JLG's profits all but evaporated. By cutting costs, the company improved its domestic sales. But it got an even bigger boost from expanding overseas. By 2000 its international sales were greater than its total sales five years before. Now JLG is adding distribution in China. So international sales could soon account for half of its business.[18]

Find better trends in variables

Unfavorable trends in the marketing environment at home—or favorable trends in other countries—may make international marketing particularly attractive. For example, population growth in the United States has slowed and income is leveling off. In other places in the world, population and income are increasing rapidly. Many U.S. firms can no longer rely on the constant market growth that once drove increased domestic sales. Growth—and perhaps even survival—will come only by aiming at more distant customers. It doesn't make sense to casually assume that all of the best opportunities exist "at home."[19]

Screening must consider risks as well as benefits

International opportunities should be considered in the strategy planning process, but they don't always survive as the most attractive ones that are turned into strategies. As with local opportunities, managers should consider international opportunities relative to the firm's objectives and resources—as well as its strengths and weaknesses.

Screening criteria for international market development may include a variety of factors ranging from expected rate of population growth or cultural challenges to political instability or other economic risks. Risks are often higher with international opportunities. For example, while the 9/11 attack on the World Trade Center shows that horrible terrorist acts are not limited to overseas markets, most managers find it more difficult to protect a firm's employees—and its financial interests—in a remote market if the political structure, laws, resources, and culture are very different.

CONCLUSION

The marketing manager must constantly study the market environment—seeking attractive opportunities and planning new strategies. A marketing strategy specifies a target market and the marketing mix the firm will offer to provide that target market with superior customer value. A marketing mix has four major decision areas: the four Ps—Product, Place, Promotion, and Price.

There are usually more opportunities than a firm can pursue, so possible target markets must be matched with marketing mixes the firm can offer. Then attractive strategies—really, whole marketing plans—are chosen for implementation. Controls are needed to be sure that the plans are carried out successfully. If anything goes wrong along the way, continual feedback should cause the process to be started over again—with the marketing manager planning more attractive marketing strategies. Thus, the job of marketing management is one of continuous planning, implementing, and control.

Firms need effective strategy planning to survive in our increasingly competitive markets. The challenge isn't just to come up with *some* strategy, but to zero in on the strategy that is best for the firm given its objectives and resources—and taking into consideration its strengths and weaknesses and the opportunities and threats that it faces. To improve your ability in this area, this chapter introduces a framework for marketing strategy planning. The rest of this text is organized to deepen your understanding of this framework and how to use it to develop profitable marketing mixes for clearly defined target markets. After several chapters on analyzing target markets, we will discuss each of the four Ps in greater detail.

While market-oriented strategy planning is helpful to marketers, it is also needed by financial managers, accountants, production and personnel people, and all other specialists. A market-oriented plan lets everybody in the firm know what ballpark they are playing in and what they are trying to accomplish.

We will use the term *marketing manager* for editorial convenience, but really, when we talk about marketing strategy planning, we are talking about the planning that a market-oriented manager should do when developing a firm's strategic plans. This kind of thinking should be done—or at least understood—by everyone in the organization. And this means even the entry-level salesperson, production supervisor, retail buyer, or personnel counselor.

KEY TERMS

marketing management process, 35
strategic (management) planning, 36
marketing strategy, 36
target market, 36
marketing mix, 36
target marketing, 37
mass marketing, 37
channel of distribution, 39
personal selling, 40
mass selling, 40
advertising, 40
publicity, 40
sales promotion, 40
marketing plan, 43
implementation, 43
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competitive advantage, 48
differentiation, 50
S.W.O.T. analysis, 51
market penetration, 52
market development, 53
product development, 53
diversification, 53

QUESTIONS AND PROBLEMS

1. Distinguish clearly between a marketing strategy and a marketing mix. Use an example.
2. Distinguish clearly between mass marketing and target marketing. Use an example.
3. Why is the customer placed in the center of the four Ps in the text diagram of a marketing strategy (Exhibit 2-4)? Explain, using a specific example from your own experience.
4. If a company sells its products only from a website, which is accessible over the Internet to customers from all over the world, does it still need to worry about having a specific target market? Explain your thinking.
5. Explain, in your own words, what each of the four Ps involves.
6. Evaluate the text's statement, "A marketing strategy sets the details of implementation."
7. Distinguish between strategy decisions and operational decisions, illustrating for a local retailer.
8. Distinguish between a strategy, a marketing plan, and a marketing program, illustrating for a local retailer.
9. Outline a marketing strategy for each of the following new products: (*a*) a radically new design for a toothbrush, (*b*) a new fishing reel, (*c*) a new wonder drug, and (*d*) a new industrial stapling machine.
10. Provide a specific illustration of why marketing strategy planning is important for all businesspeople, not just for those in the marketing department.

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11. Exhibit 2-9 shows that only about three out of every four customers are, on average, satisfied by a firm's marketing programs. Give an example of a purchase you made where you were not satisfied and what the firm could have changed to satisfy you. If customer satisfaction is so important to firms, why don't they score better in this area?
12. Distinguish between an attractive opportunity and a breakthrough opportunity. Give an example.
13. Explain how new opportunities may be seen by defining a firm's markets more precisely. Illustrate for a situation where you feel there is an opportunity—namely, an unsatisfied market segment—even if it is not very large.
14. In your own words, explain why the book suggests that you should think of marketing strategy planning as a narrowing down process.
15. Explain the major differences among the four basic types of growth opportunities discussed in the text and cite examples for two of these types of opportunities.
16. Explain why a firm may want to pursue a market penetration opportunity before pursuing one involving product development or diversification.
17. In your own words, explain several reasons why a marketing manager should consider international markets when evaluating possible opportunities.
18. Give an example of a foreign-made product (other than an automobile) that you personally have purchased. Give some reasons why you purchased that product. Do you think that there was a good opportunity for a domestic firm to get your business? Explain why or why not.

SUGGESTED CASES

4. Computer Support Services
5. ResinTech
29. Custom Castings, Inc.

COMPUTER-AIDED PROBLEM

2. Target Marketing

Marko, Inc.'s managers are comparing the profitability of a target marketing strategy with a mass marketing "strategy." The spreadsheet gives information about both approaches.

The mass marketing strategy is aiming at a much bigger market. But a smaller percent of the consumers in the market will actually buy this product—because not everyone needs or can afford it. Moreover, because this marketing mix is not tailored to specific needs, Marko will get a smaller share of the business from those who do buy than it would with a more targeted marketing mix.

Just trying to reach the mass market will take more promotion and require more retail outlets in more locations—so promotion costs and distribution costs are higher than with the target marketing strategy. On the other hand, the cost of producing each unit is higher with the target marketing strategy—to build in a more satisfying set of features. But because the more targeted marketing mix is trying to satisfy the needs of a specific target market, those customers will be willing to pay a higher price.

In the spreadsheet, "quantity sold" (by the firm) is equal to the number of people in the market who will actually buy one each of the product—multiplied by the share of those purchases won by the firm's marketing mix. Thus, a change in the size of the market, the percent of people who purchase, or the share captured by the firm will affect quantity sold. And a change in quantity sold will affect total revenue, total cost, and profit.

a. On a piece of paper, show the calculations that prove that the spreadsheet "total profit" value for the target marketing strategy is correct. (Hint: Remember to multiply unit production cost and unit distribution cost by the quantity sold.) Which approach seems better—target marketing or mass marketing? Why?
b. If the target marketer could find a way to reduce distribution cost per unit by $.25, how much would profit increase?
c. If Marko, Inc., decided to use the target marketing strategy and better marketing mix decisions increased its share of purchases from 50 to 60 percent—without increasing costs—what would happen to total profit? What does this analysis suggest about the importance of maketing managers knowing enough about their target markets to be effective target marketers?

For additional questions related to this problem, see Exercise 2-4 in the *Learning Aid for Use with Basic Marketing,* 15th edition.