2 Developing Successful Organizational and Marketing Strategies

LEARNING OBJECTIVES

After reading this chapter you should be able to:

LO 2-1	Describe three kinds of organizations and the three levels of strategy in them.
LO 2-2	Describe core values, mission, organizational culture, business, and goals.
LO 2-3	Explain why managers use marketing dashboards and marketing metrics.
LO 2-4	Discuss how an organization assesses where it is now and where it seeks to be.
LO 2-5	Explain the three steps of the planning phase of the strategic marketing process.
LO 2-6	Describe the four components of the implementation phase of the strategic marketing process.
LO 2-7	Discuss how managers identify and act on deviations from plans.

Making the World a Better Place, One Scoop at a Time!

Ben & Jerry's started in 1978 when longtime friends Ben Cohen and Jerry Greenfield headed north to Vermont to open an ice cream parlor in a renovated gas station. Buoyed with enthusiasm, $12,000 in borrowed and saved money, and ideas from a $5 correspondence course in ice cream making, Ben and Jerry were off and scooping. Their first flavor? Vanilla—because it's a universal best seller. Other flavors such as Chunky Monkey, Cherry Garcia, Peanut Butter Cup, and many others soon followed.

The ice cream flavors weren't the only extraordinary thing about the company though. Ben and Jerry embraced a concept they called "linked prosperity," which encouraged the success of all constituents including employees, suppliers, customers, and neighbors. They set out to achieve linked prosperity with a three-part mission statement:

- Product Mission: To make, distribute and sell the finest quality all-natural ice cream.
- Economic Mission: To operate the company for sustainable financial growth.
- Social Mission: To operate the company in ways that make the world a better place.

The mission statement guided the entrepreneurs' decisions related to many aspects of the business including purchasing practices, ingredient sourcing, manufacturing, and involvement in the community.[1]

Ben and Jerry's mission-driven approach led them to successfully implement many highly creative organizational and marketing strategies. Some examples include:

- *Fairtrade*. Ben & Jerry's believes that farmers who grow ingredients for their ice cream products (such as cocoa, coffee, and vanilla) should receive a fair price for their harvest. In return Fairtrade farmers agree to use sustainable farming practices, implement fair working standards, and invest in local communities.
- *B-Corp Certification*. Ben & Jerry's was one of the first companies involved in the Benefit Corporation movement, which has developed a rigorous set of principles and standards on which to evaluate companies in terms of social and environmental performance, accountability, and transparency. The certification, provided by the nonprofit organization B-Lab, indicates that Ben & Jerry's is using the power of business to solve social and environmental problems.

PartnerShop Program. PartnerShops are Ben & Jerry scoop shops that are independently owned and operated by community-based nonprofit organizations. The shops employ youth and young adults who may face barriers to employment to help them build better lives.

As you can see, Ben & Jerry's has a strong link between its mission and its strategies. CEO Jostein Solheim explains that their purpose at Ben & Jerry's is "to be part of a global movement that makes changing the world seem fun and achievable."[2]

Today, Ben & Jerry's is owned by Unilever, which is the market leader in the global ice cream industry—one that is expected to reach $74 billion by 2018.[3] While customers love Ben & Jerry's rich premium ice cream, many buy its products to support its social mission. As a testament to its success, Ben & Jerry's has over 7.5 million fans on Facebook—the most of any premium ice cream marketer!

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Chapter 2 describes how organizations set goals to provide an overall direction to their organizational and marketing strategies. The marketing department of an organization converts these strategies into plans that must be implemented and then evaluated so deviations can be exploited or corrected based on the marketing environment.

TODAY'S ORGANIZATIONS

LO 2-1

Describe three kinds of organizations and the three levels of strategy in them.

In studying today's organizations, it is important to recognize (1) the kinds of organizations that exist, (2) what strategy is, and (3) how this strategy relates to the three levels of structure found in many large organizations.

Kinds of Organizations

Cree is an example of a for-profit organization. Its Cree LED light bulb replaces traditional incandescent bulbs, consumes 85 percent less energy, and lasts 25,000 hours.
© H.S. Photos/Alamy

An *organization* is a legal entity that consists of people who share a common mission. This motivates them to develop *offerings* (goods, services, or ideas) that create value for both the organization and its customers by satisfying their needs and wants.[4] Today's organizations are of three types: (1) for-profit organizations, (2) nonprofit organizations, and (3) government agencies.

A *for-profit organization,* often called a *business firm,* is a privately owned organization such as Target, Nike, or Cree that serves its customers to earn a profit so that it can survive. **Profit** is the money left after a for-profit organization subtracts its total expenses from its total revenues and is the reward for the risk it undertakes in marketing its offerings.

VIDEO 2-1

Cree® LED Bulb Ad
kerin.tv/13e/v2-1

In contrast, a *nonprofit organization* is a nongovernmental organization that serves its customers but does not have profit as an organizational goal. Instead, its goals may be operational efficiency or client satisfaction. Regardless, it also must receive sufficient funds above its expenses to continue operations. Organizations like SIRUM and Teach For America, described in the **Making Responsible Decisions box**, seek to solve the practical needs of society and are often structured as nonprofit organizations.[5] For simplicity in the rest of the book, the terms *firm*, *company*, and *organization* are used interchangeably to cover both for-profit and nonprofit organizations.

Last, a *government agency* is a federal, state, county, or city unit that provides a specific service to its constituents. For example, the Census Bureau, a unit of the U.S. Department of Commerce, is a federal government agency that provides population and economic data.

Organizations that develop similar offerings create an *industry*, such as the computer industry or the automobile industry.[6] As a result, organizations make strategic decisions that reflect the dynamics of the industry to create a compelling and sustainable advantage for their offerings relative to those of competitors to achieve a superior level of performance.[7] Much of an organization's marketing strategy is having a clear understanding of the industry within which it competes.

Making **Responsible Decisions**

Social Responsibility

Social Entrepreneurs Are Creating New Types of Organizations to Pursue Social Goals

Each year a growing number of “social entrepreneurs” start new ventures that address important social needs and issues. These new enterprises are often organized as nonprofit organizations that combine traditional approaches for generating revenue with the pursuit of social goals. The issues they have focused on range from health care delivery, to increasing access to education, to improving agricultural efficiency. Some experts predict that these types of social ventures represent the new way of doing business.

Source: Forbes

One indication of the influence of these new types of organizations is *Forbes* magazine’s annual list of *30 Under 30 Social Entrepreneurs*. Each year 30 of the most innovative new social ventures are featured in the article. For example, Kiah Willams left the Clinton Foundation to start SIRUM (Supporting Initiatives to Redistribute Unused Medicine). The organization works with health care systems to distribute unused prescription drugs (that would otherwise be destroyed) to patients who can’t afford to pay for the drugs. “We’re like the Match.com for unused drugs,” explains Williams.

Teach For America is another example of a creative nonprofit organization. Launched by college senior Wendy Kopp, Teach For America is the national corps of outstanding recent college graduates who commit to teach for two years in urban and rural public schools and become lifelong leaders in expanding educational opportunity. Each year more than 10,000 corps members teach 750,000 students.

These examples illustrate how organizations are changing to create value for a broad range of constituents by addressing the needs and challenges of society.

What Is Strategy?

An organization has limited human, financial, technological, and other resources available to produce and market its offerings—it can’t be all things to all people! Every organization must develop strategies to help focus and direct its efforts to accomplish its goals. However, the definition of strategy has been the subject of debate among management and marketing theorists. For our purpose, **strategy** is an organization’s long-term course of action designed to deliver a unique customer experience while achieving its goals.[8] All organizations set a strategic direction. And marketing helps to both set this direction and move the organization there.

The Structure of Today’s Organizations

Large organizations are extremely complex. They usually consist of three organizational levels whose strategies are linked to marketing, as shown in **Figure 2–1**.

Figure 2–1 The board of directors oversees the three levels of strategy in organizations: corporate, strategic business unit, and functional.

Corporate Level

The *corporate level* is where top management directs overall strategy for the entire organization. “Top management” usually means the board of directors and senior management officers with a variety of skills and experiences that are invaluable in establishing the organization’s overall strategy.

The president or chief executive officer (CEO) is the highest ranking officer in the organization and is usually a member of its board of directors. This person must possess leadership skills ranging from overseeing the organization’s daily operations to spearheading strategy planning efforts that may determine its very survival.

Prada manages a portfolio or group of businesses—including perfume, leather goods, and luggage—each of which may be viewed as a strategic business unit (SBU).
© Imaginechina via AP Images

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In recent years, many large firms have changed the title of the head of marketing from vice president of marketing to chief marketing officer (CMO). These CMOs have an increasingly important role in top management because of their ability to think strategically. Most bring multi-industry backgrounds, cross-functional management expertise, analytical skills, and intuitive marketing insights to their job. These CMOs are increasingly called upon to be their organizations' "visionaries for the future" by staying in touch with consumers' needs and wants.[9]

Strategic Business Unit Level

Some multimarket, multiproduct firms, such as Prada and Johnson & Johnson, manage a portfolio or group of businesses. Each group is a *strategic business unit (SBU)*, which is a subsidiary, division, or unit of an organization that markets a set of related offerings to a clearly defined target market. At the *strategic business unit level*, managers set a more specific strategic direction for their businesses to exploit value-creating opportunities. For less complex firms with a single business focus, such as Ben & Jerry's, the corporate and business unit levels may merge.

Functional Level

Each strategic business unit has a *functional level*, where groups of specialists actually create value for the organization. The term *department* generally refers to these specialized functions such as marketing and finance (see **Figure 2–1**). At the functional level, the organization's strategic direction becomes its most specific and focused. Just as there is a hierarchy of levels within an organization, there is a hierarchy of strategic directions set by managers at each level.

A key role of the marketing department is to look outward by listening to customers, developing offerings, implementing marketing program actions, and then evaluating whether those actions are achieving the organization's goals. When developing marketing programs for new or improved offerings, an organization's senior management may form *cross-functional teams*. These consist of a small number of people from different departments who are mutually accountable to accomplish a task or a common set of performance goals. Sometimes these teams will have representatives from outside the organization, such as suppliers or customers, to assist them.

learning review

2-1. What is the difference between a for-profit and a nonprofit organization?

2-2. What are examples of a functional level in an organization?

STRATEGY IN VISIONARY ORGANIZATIONS

LO 2-2

Describe core values, mission, organizational culture, business, and goals.

To be successful, today's organizations must be forward-looking. They must anticipate future events and then respond quickly and effectively to those events. In addition, they must thrive in today's uncertain, chaotic, rapidly changing environment. A visionary organization must specify its foundation (why does it exist?), set a direction (what will it do?), and formulate strategies (how will it do it?), as shown in **Figure 2–2**.[10]

Figure 2–2 Today's visionary organizations use key elements to (1) establish a foundation and (2) set a direction using (3) strategies that enable them to develop and market their products successfully.

Organizational Foundation: Why Does It Exist?

An organization's foundation is its philosophical reason for being—why it exists. Successful visionary organizations use this foundation to guide and inspire their employees through three elements: core values, mission, and organizational culture.

Core Values

An organization's **core values** are the fundamental, passionate, and enduring principles that guide its conduct over time. A firm's founders or senior management develop these core values, which are consistent with their essential beliefs and character. They capture the firm's heart and soul and serve to inspire and motivate its *stakeholders*—employees, shareholders, board of directors, suppliers, distributors, creditors, unions, government, local communities, and customers. Core values also are timeless and guide the organization's conduct. To be effective, an organization's core values must be communicated to and supported by its top management and employees; if not, they are just hollow words.[11]

Mission

By understanding its core values, an organization can take steps to define its **mission**, a statement of the organization's function in society that often identifies its customers, markets, products, and technologies. Often used interchangeably with *vision*, a *mission statement* should be clear, concise, meaningful, inspirational, and long-term.[12]

VIDEO 2-2

Southwest Airlines

kerin.tv/13e/v2-2

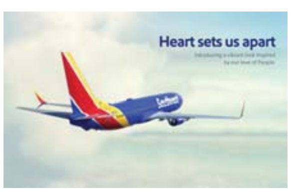
Inspiration and focus appear in the mission statement of for-profit organizations, as well as nonprofit organizations and government agencies. For example:

- Southwest Airlines: "To be dedicated to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit."[13]
- American Red Cross: "To prevent and alleviate human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors."[14]
- Federal Trade Commission: "To prevent business practices that are anticompetitive or deceptive or unfair to consumers; to enhance informed consumer choice and public understanding of the competitive process; and to accomplish this without unduly burdening legitimate business activity."

Each statement exhibits the qualities of a good mission: a clear, challenging, and compelling picture of an envisioned future.[15]

Recently, many organizations have added a social element to their mission statements to reflect an ideal that is morally right and worthwhile. This is what Ben & Jerry's social mission statement shows in the chapter opener. Stakeholders, particularly customers, employees, and now society, are asking organizations to be exceptional citizens by providing long-term value while solving society's problems.

Organizational Culture



Providing a warm, friendly experience is part of Southwest Airlines' organizational strategy.
Source: © Southwest

An organization must connect with all of its stakeholders. Thus, an important corporate-level marketing function is communicating its core values and mission to them. These activities send clear messages to employees and other stakeholders about **organizational culture**—the set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization.

Organizational Direction: What Will It Do?

In the first half of the 20th century, what "business" did railroad executives believe they were in? The text reveals their disastrous error.
© Digital Vision

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As shown in **Figure 2–2**, the organization's foundation enables it to set a direction in terms of (1) the "business" it is in and (2) its specific goals.

Business

A **business** describes the clear, broad, underlying industry or market sector of an organization's offering. To help define its business, an organization looks at the set of organizations that sell similar offerings—those that are in direct competition with each other—such as "the ice cream business." The organization can then begin to answer the questions "What do we do?" or "What business are we in?"

Professor Theodore Levitt saw that 20th-century American railroads defined their business too narrowly, proclaiming, "We are in the railroad business!" This myopic focus caused them to lose sight of who their customers were and what they needed. So railroads failed to develop strategies to compete with airlines, barges, pipelines, and trucks. As a result, many railroads merged or went bankrupt. Railroads should have realized they were in "the transportation business."[16]

With today's increased global competition, many organizations are rethinking their *business model*, the strategies an organization develops to provide value to the customers it serves. Technological innovation is often the trigger for this business model change. American newspapers are looking for a new business model as former subscribers now get their news online.[17] Bookstore retailer Barnes & Noble, too, is rethinking its *business model* as e-book readers like Amazon's Kindle and Apple's iPad have gained widespread popularity.[18]

Why is UPS changing the definition of its business? See the text for the answer.
Source: UPS

VIDEO 2-3

UPS Ad
kerin.tv/13e/v2-3

United Parcel Service (UPS), the company known for its brown delivery trucks, is redefining its business. The company recently launched a new campaign with the tagline "United Problem Solvers," which replaced its previous "We Love Logistics" campaign. Some of the language from the campaign explains the new perspective: "Bring us your problems. Your challenges. Your daydreams. Your scribbles. Your just about anything. Because we're not just in the shipping business. We're in the problem solving business." Taking a lesson from Theodore Levitt, UPS now sees itself as a service that can solve important and complicated problems for its customers, rather than a package delivery business.[19]

Goals

Goals or **objectives** (terms used interchangeably in this book) are statements of an accomplishment of a task to be achieved, often by a specific time. Goals convert an organization's mission and business into long- and short-term performance targets. Business firms can pursue several different types of goals:

- *Profit*. Most firms seek to maximize profits—to get as high a financial return on their investments (ROI) as possible.
- *Sales* (dollars or units). If profits are acceptable, a firm may elect to maintain or increase its sales even though profits may not be maximized.
- *Market share*. **Market share** is the ratio of sales revenue of the firm to the total sales revenue of all firms in the industry, including the firm itself.
- *Quality*. A firm may seek to offer a level of quality that meets or exceeds the cost and performance expectations of its customers.

- *Customer satisfaction*. Customers are the reason the organization exists, so their perceptions and actions are of vital importance. Satisfaction can be measured with surveys or by the number of customer complaints.
- *Employee welfare*. A firm may recognize the critical importance of its employees by stating its goal of providing them with good employment opportunities and working conditions.
- *Social responsibility*. Firms may seek to balance the conflicting goals of stakeholders to promote their overall welfare, even at the expense of profits.

Nonprofit organizations (such as museums and hospitals) also have goals, such as to serve consumers as efficiently as possible. Similarly, government agencies set goals that seek to serve the public good.

Organizational Strategies: How Will It Do It?

As shown in **Figure 2–2**, the organizational foundation sets the "why" of organizations and the organizational direction sets the "what." To convert these into actual results, the organizational strategies are concerned with the "how." These organizational strategies vary in at least two ways, depending on (1) a strategy's level in the organization and (2) the offerings an organization provides to its customers.

Variation by Level

Moving down the levels in an organization involves creating increasingly specific, detailed strategies and plans. So, at the corporate level, top managers may struggle with writing a meaningful mission statement; while at the functional level, the issue is who makes tomorrow's sales call.

Variation by Product

Organizational strategies also vary by the organization's products. The strategy will be far different when marketing a very tangible physical good (Ben & Jerry's ice cream), a service (a Southwest Airlines flight), or an idea (a donation to the American Red Cross).

Most organizations develop a marketing plan as a part of their strategic marketing planning efforts. A **marketing plan** is a road map for the marketing actions of an organization for a specified future time period, such as one year or five years. The planning phase of the strategic marketing process (discussed later) usually results in a marketing plan that directs the marketing actions of an organization. **Appendix A** at the end of this chapter provides guidelines for writing a marketing plan.

learning review

2-3. What is the meaning of an organization's mission?
2-4. What is the difference between an organization's business and its goals?

Tracking Strategic Performance with Marketing Analytics

LO 2-3

Explain why managers use marketing dashboards and marketing metrics.

Although marketing managers can set strategic direction for their organizations, how do they know if they are making progress in getting there? As several industry experts have observed, "You can't manage what you don't measure."[20] One answer to this problem is the growing field of data analytics, or big data, which enables data-driven decisions by collecting data and presenting them in a visual format such as a marketing dashboard.

Car Dashboards and Marketing Dashboards

A **marketing dashboard** is the visual display of the essential information related to achieving a marketing objective.[21] Often, active hyperlinks provide further detail. An example is when a chief marketing officer (CMO) wants to see daily what the effect of a new TV advertising campaign is on a product's sales.[22]

The idea of a marketing dashboard really comes from the display of information found on a car's dashboard. On a car's dashboard, we glance at the fuel gauge and take action when our gas is getting low. With a marketing dashboard, a marketing manager glances at a graph or table and makes a decision whether to take action or to analyze the problem further.[23]

Dashboards, Metrics, and Plans

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The marketing dashboard of Sonatica, a hypothetical hardware and software firm, appears in **Figure 2–3**. It shows graphic displays of key performance indicators linked to its product lines.[24] Each display in a marketing dashboard shows a **marketing metric**, which is a measure of the quantitative value or trend of a marketing action or result.[25] Choosing which marketing metrics to display is critical for a busy manager, who can be overwhelmed with irrelevant data.[26]

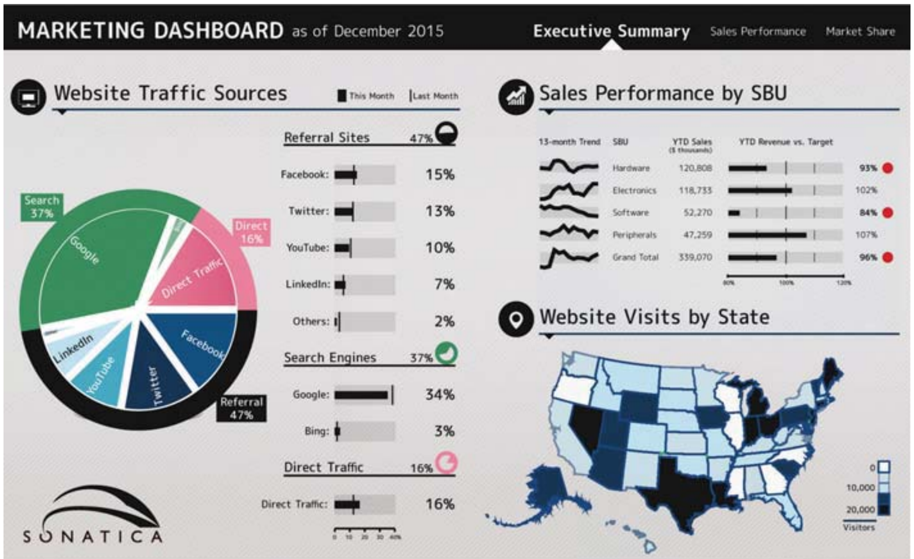

Figure 2–3 An effective marketing dashboard, like this one from Sonatica, a hypothetical hardware and software firm, helps managers assess a business situation at a glance.
Dundas Data Visualization, Inc.

Today's marketers use *data visualization*, which presents information about an organization's marketing metrics graphically so marketers can quickly (1) spot deviations from plans during the evaluation phase and (2) take corrective actions.[27] This book uses data visualization in many figures to highlight in color key points described in the text. The Sonatica marketing dashboard in **Figure 2–3** uses data visualization tools like a pie chart, a line or bar chart, and a map to show how parts of its business are performing as of December 2015:

- *Website Traffic Sources.* The color-coded perimeter of the pie chart shows the three main sources of website traffic (referral sites at 47 percent, search engines at 37 percent, and direct traffic at 16 percent). These three colors link to those of the circles in the column of website traffic sources. Of the 47 percent of traffic coming from referral sites, the horizontal *bullet graphs* to the right show that Sonatica's Facebook visits comprise 15 percent of total website traffic, up from a month ago (as shown by the vertical line).
- *Sales Performance by SBU.* The *spark lines* (the wavy lines in the far left column) show the 13-month trends of Sonatica's strategic business units (SBUs). For example, the trends in electronics and peripherals are generally up, causing their sales to exceed their YTD (year to date) targets. Conversely, both software and hardware sales failed to meet YTD targets, a problem quickly noted by a marketing manager seeing the red "warning" circles in their rows at the far right. This suggests that immediate corrective actions are needed for the software and hardware SBUs.
- *Website Visits by State.* The U.S. map shows that the darker the state, the greater the number of website visits for the current month. For example, Texas has close to 20,000 visits per month, while Illinois has none.

Applying **Marketing Metrics**

How Well Is Ben & Jerry's Doing?

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As the marketing manager for Ben & Jerry's, you need to assess how it is doing within the United States in the super-premium ice cream market in which it competes. For this, you choose two marketing metrics: dollar sales and dollar market share.

Your Challenge

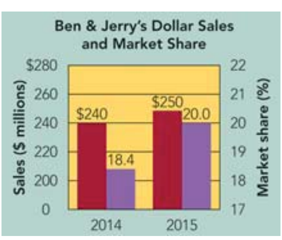
Scanner data from checkout counters in supermarkets and other retailers show the total industry sales of super-premium ice cream were $1.25 billion in 2015. Internal company data show you that Ben & Jerry's sold 50 million units at an average price of $5.00 per unit in 2015. A "unit" in super-premium ice cream is one pint.

Your Findings

Dollar sales and dollar market share can be calculated for 2015 using simple formulas and displayed on the Ben & Jerry's marketing dashboard as follows:

$$\begin{aligned} \text{Dollar sales (\$)} &= \text{Average price} \times \text{Quantity sold} \\ &= \$5.00 \times 50\,\text{million units} \\ &= \$250\,\text{million} \end{aligned}$$

$$\begin{aligned} \text{Dollar market share (\%)} &= \frac{\text{Ben \& Jerry's sales (\$)}}{\text{Total industry sales (\$)}} \\ &= \frac{\$250\text{ million}}{\$1.25\text{ billion}} \\ &= 0.20 \text{ or } 20\% \end{aligned}$$



Your dashboard displays show that from 2014 to 2015 dollar sales increased from $240 million to $250 million and that dollar market share grew from 18.4 to 20.0 percent.

Your Action

The results need to be compared with the goals established for these metrics. In addition, they should be compared with previous years' results to see if the trends are increasing, flat, or decreasing. This will lead to marketing actions.

The Ben & Jerry's dashboard in the Applying Marketing Metrics box shows how the two widely used marketing metrics of dollar sales and dollar market share can help the company assess its growth performance from 2014 to 2015. The Applying Marketing Metrics boxes in later chapters highlight other key marketing metrics and how they can lead to marketing actions.

SETTING STRATEGIC DIRECTIONS

LO 2-4

Discuss how an organization assesses where it is now and where it seeks to be.

To set a strategic direction, an organization needs to answer two difficult questions: (1) Where are we now? and (2) Where do we want to go?

A Look Around: Where Are We Now?

Asking an organization where it is at the present time involves identifying its competencies, customers, and competitors.

Competencies

Senior managers must ask the question: What do we do best? The answer involves an assessment of the organization's core *competencies*, which are its special capabilities—the skills, technologies, and resources—that distinguish it from other organizations and provide customer value. Exploiting these competencies can lead to success.[28] Competencies should be distinctive enough to provide a *competitive advantage*, a unique strength relative to competitors that provides superior returns, often based on quality, time, cost, or innovation.[29]

Lands' End's unconditional guarantee for its products highlights its focus on customers.

© Rick Armstrong

Customers

Ben & Jerry's customers are ice cream and frozen yogurt eaters who have different preferences (form, flavor, health, and convenience). Medtronic's pacemaker customers include cardiologists and heart surgeons who serve patients that need this type of device. Lands' End communicates a remarkable commitment to its customers and its product quality with these unconditional words:

Guaranteed. Period.®

The Lands' End website points out that this guarantee has always been an unconditional one. It reads: "If you're not satisfied with any item, simply return it to us at any time for an exchange or refund of its purchase price." But to get the message across more clearly to its customers, it created the two-word guarantee. The point is that Lands' End's strategy must provide genuine value to customers to ensure that they have a satisfying experience.[30]

Competitors

In today's global marketplace, the distinctions among competitors are increasingly blurred. Lands' End started as a catalog retailer. But today, Lands' End competes with not only other clothing catalog retailers but also traditional department stores, mass merchandisers, and specialty shops. Even well-known clothing brands such as Liz Claiborne now have their own chain stores. Although only some of the clothing in any of these stores directly competes with Lands' End offerings, all of these retailers have websites to sell their offerings over the Internet. This means there's a lot of competition out there.

Growth Strategies: Where Do We Want to Go?

Knowing where the organization is at the present time enables managers to set a direction for the firm and allocate resources to move in that direction. Two techniques to aid managers with these decisions are (1) business portfolio analysis and (2) diversification analysis.

Business Portfolio Analysis

Successful organizations have a portfolio or range of offerings (products and services) that possess different growth rates and market shares within the industry in which they operate. The Boston Consulting Group (BCG), an internationally known management consulting firm, has developed **business portfolio analysis** . It is a technique that managers use to quantify performance measures and growth targets to analyze their firms' SBUs as though they were a collection of separate investments.[31] The purpose of this tool is to determine which SBU or offering generates cash and which one requires cash to fund the organization's growth opportunities.

Marketing **Matters** — Technology

Filling the Shoes of Apple CEO Tim Cook: Where Will Apple's Projected Future Growth for Its Major SBUs Come From?

Every CEO of a for-profit organization faces one problem in common: trying to find ways to increase future sales and profits to keep it growing!

Put yourself in Tim Cook's shoes. One of his jobs is to search for new growth opportunities. Using your knowledge about Apple products, do a quick analysis of four SBUs shown below to determine where Apple should allocate its time and resources. Rate these growth opportunities from highest to lowest in terms of percentage growth in unit sales from 2015 to 2018:

1. ______________________ (Highest)

2. ______________________

3. ______________________

4. ______________________ (Lowest)

We'll walk you through possible answers. You then can evaluate your performance over the next two pages and decide whether you're really ready for Mr. Cook's job!

iPod

iPhone

iPad/iPad mini

Apple Watch

All product photos: Source: Apple Inc.

As described in the Marketing Matters box, let's assume you are filling the shoes of Apple CEO Tim Cook. Based on your knowledge of Apple products, you are currently conducting a quick analysis of four major Apple SBUs through 2018. Try to rank them from highest to lowest in terms of percentage growth in expected unit sales. We will introduce you to business portfolio analysis as we look at the possible future of the four Apple SBUs.

The BCG business portfolio analysis requires an organization to locate the position of each of its SBUs on a growth-share matrix (see **Figure 2–4**). The vertical axis is the *market growth rate*, which is the annual rate of growth of the SBU's industry. The horizontal axis is the *relative* *market share*, defined as the sales of the SBU divided by the sales of the largest firm in the industry. A relative market share of 10× (at the left end of the scale) means that the SBU has 10 times the share of its largest competitor, whereas a share of 0.1× (at the right end of the scale) means it has only 10 percent of the share of its largest competitor.

Figure 2–4 Boston Consulting Group (BCG) business portfolio analysis for four of Apple's consumer-related SBUs. The red arrow indicates typical movement of a product through the matrix.
All product photos: Source: Apple Inc.

The BCG has given specific names and descriptions to the four resulting quadrants in its growth-share matrix based on the amount of cash they generate for or require from the organization:

1. *Question marks* are SBUs with a low share of high-growth markets. They require large injections of cash just to maintain their market share, much less increase it. The name implies management's dilemma for these SBUs: choosing the right ones to invest in and phasing out the rest.
2. *Stars* are SBUs with a high share of high-growth markets that may need extra cash to finance their own rapid future growth. When their growth slows, they are likely to become cash cows.
3. *Cash cows* are SBUs that generate large amounts of cash, far more than they can use. They have dominant shares of slow-growth markets and provide cash to cover the organization's overhead and to invest in other SBUs.
4. *Dogs* are SBUs with low shares of slow-growth markets. Although they may generate enough cash to sustain themselves, they may no longer be or may not become real winners for the organization. Dropping SBUs that are dogs may be required if they consume more cash than they generate, except when relationships with other SBUs, competitive considerations, or potential strategic alliances exist.[32]

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An organization's SBUs often start as question marks and go counterclockwise around **Figure 2–4** to become stars, then cash cows, and finally dogs. Because an organization has limited influence on the market growth rate, its main objective is to try to change its relative dollar or unit market share. To do this, management decides what strategic role each SBU should have in the future and either injects cash into or removes cash from it.

What can Apple expect in future growth of sales revenues from its iPhone products...
Source: Apple Inc.

According to Interbrand, a leading brand management consulting firm, Apple has been consistently cited as one of the top global brands over the past decade in its annual Best Global Brands survey. What has made Apple so iconic is not only its revolutionary products but also its commitment to infusing the "human touch" with its technology such that its customers connect with the brand on both a cognitive *and* an emotional level. The late Steve Jobs was instrumental in creating Apple's organizational culture and core values that will continue to guide its future.[33]

Using the BCG business portfolio analysis framework, **Figure 2–4** shows that the Apple picture might look this way from 2015 to 2018 for four of its SBUs:[34]

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1. *Apple Watch* (wearable technology). Apple entered the wearable technology market in April 2015 with its version of a smart watch, the Apple Watch. The watch competes with Samsung, Pebble, and Motorola watches and a wide range of other wearable technologies such as Fitbit and Jawbone fitness trackers. The market grew at a rate of more than 100 percent in 2015, and Apple Watch sales were substantial despite a relatively high price and short battery life. The Apple watch enters the market as a *question mark* and awaits consumers' response.[35]
2. *iPhone* (smartphones). Apple launched its revolutionary iPhone smartphone in 2007. iPhone unit sales skyrocketed and Apple's U.S. market share has grown to 47.7 percent, exceeding the market share of its largest competitor, Samsung. The smartphone market is expected to grow at an annual rate of 9.8 percent through 2018 due to growth in China and falling prices. High market share and high growth suggest that Apple's iPhone is a *star*.[36]

...or its iPod devices?

Source: Apple Inc.

3. *iPad/iPad mini* (tablets). Launched in 2010, iPad unit sales reached 40 percent market share by 2013—leading both Samsung's Galaxy (18 percent) and Amazon's Kindle (4 percent). Tablet sales are increasing although the rate of growth is plummeting as consumers are substituting big-screen smartphones, or "phablets," for tablets. For Apple, its iPad SBU is a *cash cow* (high market share in a low-growth market).[37]
4. *iPod* (music players). Apple entered the music player market with its iPod device in 2001. The product became a cultural icon, selling more that 50 million units annually until 2010 when the iPhone integrated a music player. Since 2010 sales have been declining dramatically and in October 2014 Apple announced that it was discontinuing the iPod classic. Today Apple still sells three iPod product lines—the nano, the shuffle, and the touch—although declining sales and discontinued products suggest that this SBU is entering the *dog* category.[38]

So, how did you—as Tim Cook—rank the growth opportunity for each of the four SBUs? The Apple Watch represents the highest unit growth rate at more than 100 percent. The iphone SBU is likely to continue growing at almost 10 percent, while the iPad SBU is experiencing a declining growth rate. Despite the difference in growth rates, the iPhone and iPad product lines together accounted for 72 percent of Apple's revenues in 2014. These revenues are used to pursue growth opportunities such as the Apple Watch, a next generation phone, and a huge 13-inch iPad. Finally, no growth and the discontinuation of the iPod classic may signal the beginning of the end for Apple's iPod.[39]

The primary strength of business portfolio analysis lies in forcing a firm to place each of its SBUs in the growth-share matrix, which in turn suggests which SBUs will be cash producers and cash users in the future. Weaknesses of this analysis arise from the difficulty in (1) getting the needed information and (2) incorporating competitive data into business portfolio analysis.[40]

Diversification Analysis

Diversification analysis is a technique that helps a firm search for growth opportunities from among current and new markets as well as current and new products.[41] For any market, there is both a current product (what the firm now sells) and a new product (what the firm might sell in the future). And for any product there is both a current market (the firm's existing customers) and a new market (the firm's potential customers). As Ben & Jerry's seeks to increase sales revenues, it considers all four market-product strategies shown in **Figure 2–5**:

- **VIDEO 2-4**

  B&J's Bonnaroo Buzz Ad
  kerin.tv/13e/v2-4

  Market penetration is a marketing strategy to increase sales of current products in current markets, such as selling more Ben & Jerry's Bonnaroo Buzz Fair Trade–sourced ice cream to U.S. consumers. There is no change in either the basic product line or the markets served. Increased sales are generated by selling either more ice cream (through better promotion or distribution) *or* the same amount of ice cream at a higher price to its current customers.
- *Market development* is a marketing strategy to sell current products to new markets. For Ben & Jerry's, Brazil is an attractive new market. There is good news and bad news for this strategy: As household incomes of Brazilians increase, consumers can buy more ice cream; however, the Ben & Jerry's brand may be unknown to Brazilian consumers.
- *Product development* is a marketing strategy of selling new products to current markets. Ben & Jerry's could leverage its brand by selling children's clothing in

the United States. This strategy is risky because Americans may not see the company's expertise in ice cream as extending to children's clothing. Page 40

- *Diversification* is a marketing strategy of developing new products and selling them in new markets. This is a potentially high-risk strategy for Ben & Jerry's if it decides to try to sell Ben & Jerry's branded clothing in Brazil. Why? Because the firm has neither previous production nor marketing experience from which to draw in marketing clothing to Brazilian consumers.

MARKETS	PRODUCTS: Current	PRODUCTS: New
Current	**Market penetration** Selling more Ben & Jerry's super-premium ice cream to Americans	**Product development** Selling a new product such as children's clothing under the Ben & Jerry's brand to Americans
New	**Market development** Selling Ben & Jerry's super-premium ice cream to Brazilians for the first time	**Diversification** Selling a new product such as children's clothing under the Ben & Jerry's brand to Brazilians for the first time

Figure 2–5 Four market-product strategies: alternative ways to expand sales revenues for Ben & Jerry's using diversification analysis.

learning review

2-5. What is the difference between a marketing dashboard and a marketing metric?

2-6. What is business portfolio analysis?

2-7. Explain the four market-product strategies in diversification analysis.

THE STRATEGIC MARKETING PROCESS

1. LO 2-5
2.
3. Explain the three steps of the planning phase of the strategic marketing process.

After an organization assesses where it is and where it wants to go, other questions emerge, such as:

How do we allocate our resources to get where we want to go?

How do we convert our plans into actions?

How do our results compare with our plans, and do deviations require new plans?

To answer these questions, an organization uses the **strategic marketing process**, whereby an organization allocates its marketing mix resources to reach its target markets. This process is divided into three phases: planning, implementation, and evaluation, as shown in **Figure 2–6**.

Figure 2–6 The strategic marketing process has three vital phases: planning, implementation, and evaluation. The figure also indicates the chapters in which these phases are discussed in the text.

The Planning Phase of the Strategic Marketing Process

Figure 2–6 shows the three steps in the planning phase of the strategic marketing process: (1) situation (SWOT) analysis, (2) market-product focus and goal setting, and (3) the marketing program.

Step 1: Situation (SWOT) Analysis

The essence of **situation analysis** is taking stock of where the firm or product has been recently, where it is now, and where it

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is headed in terms of the organization's marketing plans and the external forces and trends affecting it. An effective summary of a situation analysis is a **SWOT analysis**, an acronym describing an organization's appraisal of its internal **S**trengths and **W**eaknesses and its external **O**pportunities and **T**hreats.

The SWOT analysis is based on an exhaustive study of four areas that form the foundation upon which the firm builds its marketing program:

- Identify trends in the organization's industry.
- Analyze the organization's competitors.
- Assess the organization itself.
- Research the organization's present and prospective customers.

Assume you are responsible for doing the SWOT analysis for Ben & Jerry's shown in **Figure 2–7**. Note that the SWOT table has four cells formed by the combination of internal versus external factors (the rows) and favorable versus unfavorable factors (the columns) that identify Ben & Jerry's strengths, weaknesses, opportunities, and threats.

LOCATION OF FACTOR	TYPE OF FACTOR	
	Favorable	Unfavorable
Internal	**Strengths** • Prestigious, well-known brand name among U.S. consumers • Complements Unilever's other ice cream brands • Recognized for its social mission, values, and actions	**Weaknesses** • B&J's social responsibility actions could reduce focus • Experienced managers needed to help growth • Modest sales growth and profits in recent years
External	**Opportunities** • Growing demand for quality ice cream in overseas markets • Increasing U.S. demand for Greek-style yogurt • Many U.S. firms successfully use product and brand extensions	**Threats** • B&J customers read nutritional labels and are concerned with sugary and fatty desserts • Competes with General Mills and Nestlé brands • Increasing competition in international markets

Figure 2–7 Ben & Jerry's: A SWOT analysis to keep it growing. The picture painted in this SWOT analysis is the basis for management actions.

How can Ben & Jerry's develop new products and social responsibility programs that contribute to its mission? The text describes how the strategic marketing process and its SWOT analysis can help.
©Mike Hruby

The task is to translate the results of the SWOT analysis into specific marketing actions that will help the firm grow. The ultimate goal is to identify the *critical* strategy-related factors that impact the firm and then build on vital strengths, correct glaring weaknesses, exploit significant opportunities, and avoid disaster-laden threats.

The Ben & Jerry's SWOT analysis in **Figure 2–7** can be the basis for these kinds of specific marketing actions. An action in each of the four cells might be:

Build on a strength. Find specific efficiencies in distribution with parent-company Unilever's existing ice cream brands.

- *Correct a weakness.* Recruit experienced managers from other consumer product firms to help stimulate growth.
- *Exploit an opportunity*. Develop new product lines of low-fat, low-carb frozen Greek-style yogurt flavors to respond to changes in consumer tastes.
- *Avoid a disaster-laden threat.* Focus on less risky international markets, such as Brazil and Argentina.

Step 2: Market-Product Focus and Goal Setting

Determining which products will be directed toward which customers (step 2 of the planning phase in **Figure 2–6**) is essential for developing an effective marketing program (step 3). This decision is often based on **market segmentation** , which involves aggregating prospective buyers into groups, or segments, that (1) have common needs and (2) will respond similarly to a marketing action. This enables an organization to focus specific marketing programs on its target market segments. The match between products and segments is often related to **points of difference** , or those characteristics of a product that make it superior to competitive substitutes. Goal setting involves specifying measurable marketing objectives to be achieved.

So step 2 in the planning phase of the strategic marketing process—deciding which products will be directed toward which customers—is the foundation for step 3, developing the marketing program.

Step 3: Marketing Program

Activities in step 2 tell the marketing manager which customers to target and which customer needs the firm's product offerings can satisfy—the *who* and *what* aspects of the strategic marketing process. The *how* aspect—step 3 in the planning phase—involves developing the program's marketing mix (the four Ps) and its budget. **Figure 2–8** shows that each marketing mix element is combined to provide a cohesive marketing program.

Figure 2–8 The four Ps elements of the marketing mix must be blended to produce a cohesive marketing program.

Putting a marketing program into effect requires that the firm commit time and money to it in the form of a sales forecast (see **Chapter 8**) and budget that must be approved by top management.

learning review

2-8. What are the three steps of the planning phase of the strategic marketing process?
2-9. What are points of difference and why are they important?

The Implementation Phase of the Strategic Marketing Process

LO 2-6

Describe the four components of the implementation phase of the strategic marketing process.

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As shown in **Figure 2–6**, the result of the hours spent in the planning phase of the strategic marketing process is the firm's marketing plan. Implementation, the second phase of the strategic marketing process, involves carrying out the marketing plan that emerges from the planning phase. If the firm cannot execute the marketing plan—in the implementation phase—the planning phase wasted time and resources.

There are four components of the implementation phase: (1) obtaining resources, (2) designing the marketing organization, (3) defining precise tasks, responsibilities, and deadlines, and (4) actually executing the marketing program designed in the planning phase.

Obtaining Resources

A key task in the implementation phase of the strategic marketing process is finding adequate human and financial resources to execute the marketing program successfully. Small business owners often obtain funds from savings, family, friends, and bank loans. Marketing managers in existing organizations obtain these resources by getting top management to divert profits from BCG stars or cash cows.

Designing the Marketing Organization

A marketing program needs a marketing organization to implement it. **Figure 2–9** shows the organization chart of a typical manufacturing firm, giving some details of the marketing department's structure. Four managers of marketing activities are shown to report to the vice president of marketing or CMO. Several regional sales managers and an international sales manager may report to the manager of sales. The product or brand managers and their subordinates help plan, implement, and evaluate the marketing plans for their offerings. However, the entire marketing organization is responsible for converting these marketing plans into realistic marketing actions.

Figure 2–9 Organization of a typical manufacturing firm, showing a breakdown of the marketing department.

Defining Precise Tasks, Responsibilities, and Deadlines

Successful implementation requires that team members know the tasks for which they are responsible and the deadlines for completing them. To implement the thousands of tasks on a new aircraft design, Lockheed Martin typically holds weekly program meetings. The

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outcome of each of these meetings is an *action item list*, 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. Within hours of completing a program meeting, the action item list is circulated to those attending. This then serves as the starting agenda for the next meeting. Meeting minutes are viewed as secondary and backward-looking. Action item lists are forward-looking, clarify the targets, and put strong pressure on people to achieve their designated tasks by the deadline.

Suppose, for example, that you and two friends undertake a term project on the problem, "How can the college increase attendance at its performing arts concerts?" The instructor says the term project must involve a mail survey of a sample of students, and the written report with the survey results must be submitted by the end of the 11-week quarter. To begin, you identify all the project tasks and then estimate the time required to complete each one. To complete it in 11 weeks, your team must plan which activities can be done concurrently (at the same time) to save time.

Scheduling activities can be done efficiently with a *Gantt chart*, which is a graph of a program schedule. **Figure 2–10** shows a Gantt chart—invented by Henry L. Gantt—used to schedule the class project, demonstrating how the concurrent work on several tasks enables the students to finish the project on time. Software applications such as Microsoft Project simplify the task of developing a program schedule or Gantt chart.

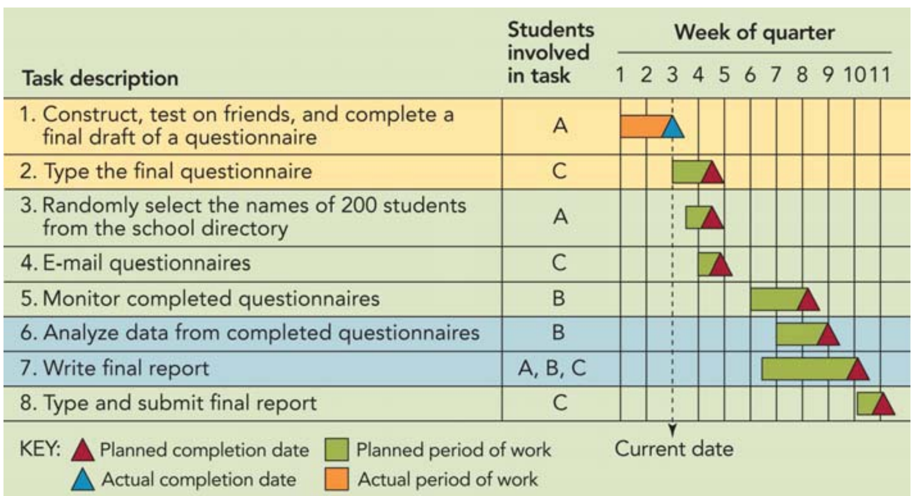

Figure 2–10 This Gantt chart shows how three students (A, B, and C) can schedule tasks to complete a term project on time. Software applications, such as Microsoft Project, simplify the task of developing a program schedule or Gantt chart.

The key to all scheduling techniques is to distinguish tasks that *must* be done sequentially from those that *can* be done concurrently. For example, Tasks 1 and 2 that are shaded yellow in **Figure 2–10** *must* be done sequentially. This is because in order to type and copy the final questionnaire before mailing (Task 2), the student *must* have a final draft of the questionnaire (Task 1). In contrast, Tasks 6 and 7 that are shaded blue *can* be done concurrently. So writing the final report (Task 7) *can* be started before tabulating the questions (Task 6) is completed. This overlap speeds up project completion.

Executing the Marketing Program

Marketing plans are meaningless without effective execution of those plans. This requires attention to detail for both marketing strategies and marketing tactics. A **marketing strategy** is the means by which a marketing goal is to be achieved, usually characterized by a specified target market and a marketing program to reach it. The term implies both the end sought (target market) and the means or actions to achieve it (marketing program).

To implement a marketing program successfully, hundreds of detailed decisions are often required to develop the actions that comprise a marketing program for an offering. These actions, called **marketing tactics** , are detailed day-to-day operational marketing actions for each element of the marketing mix that contribute to the overall success of marketing strategies. Writing ads and setting prices for new product lines are examples of marketing tactics.

The Evaluation Phase of the Strategic Marketing Process

LO 2-7

Discuss how managers identify and act on deviations from plans.

The evaluation phase of the strategic marketing process seeks to keep the marketing program moving in the direction set for it (see **Figure 2–6**). Accomplishing this requires the marketing manager to (1) compare the results of the marketing program with the goals in the written plans to identify deviations and (2) act on these deviations—exploiting positive deviations and correcting negative ones.

Comparing Results with Plans to Identify Deviations

At the end of its fiscal year, which is September 30, Apple begins the evaluation phase of its strategic marketing process. Suppose you are on an Apple task force in late 2005 that is responsible for making plans through 2014. You observe that extending the 2000–2005 trend of Apple's recent sales revenues (line AB in **Figure 2–11**) to 2014 along line BC shows an annual growth in sales revenue unacceptable to Apple's management.

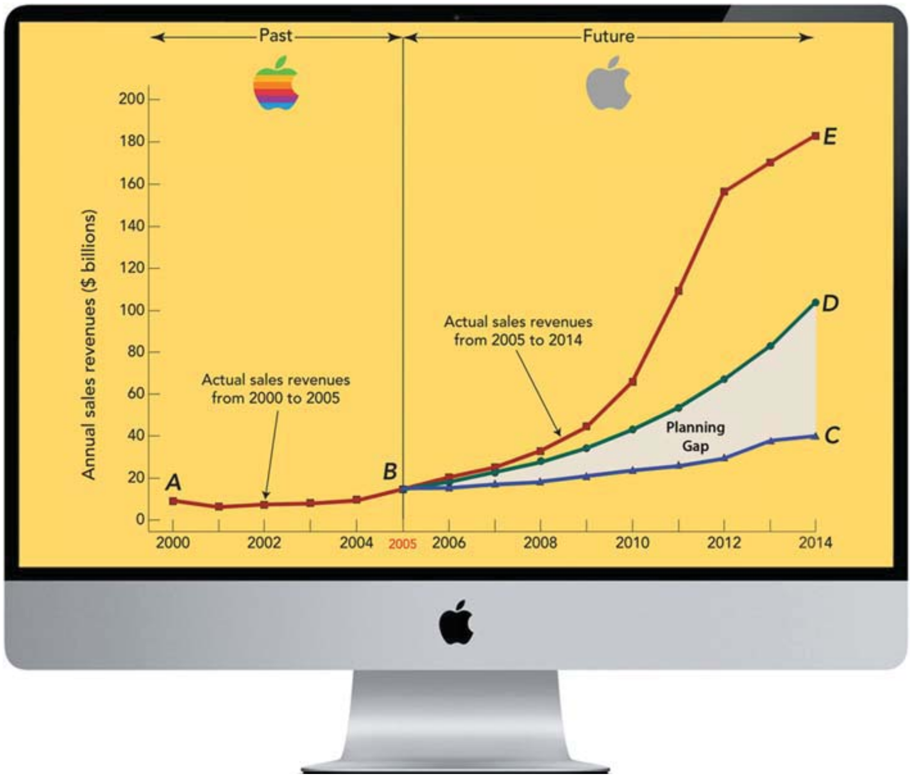

Figure 2–11 The evaluation phase of the strategic marketing process requires that the organization compare actual results with goals to identify and act on deviations to fill in its "planning gap." The text describes how Apple is working to fill in its planning gap.

Apple logos: Left: © Mickey Pfleger/LIFE Images/Getty Images; Right: © Jerome Favre/Bloomberg via Getty Images; Computer: Source: Apple Inc.

Looking at potential new products in the Apple pipeline, your task force set an aggressive annual sales growth target of 25 percent per year—the line BD in **Figure 2–11**. This would give sales revenues of $42 billion in 2010 and $104 billion in 2014.

This reveals a gray wedge-shaped gap DBC in the figure. Planners call this the *planning gap*, the difference between the projection of the path to reach a new sales revenue goal (line BD) and the projection of the path of a plan already in place (line BC). The ultimate purpose of the firm's marketing program is to "fill in" this planning gap—in the case of your Apple task force, to move its future sales revenue line from the slow-growth line BC up to the more challenging target of line BD.

This is the essence of evaluation: comparing actual results with goals set. To reach aggressive growth targets in sales revenues, firms like Apple must continuously look for a new BCG SBU or product *cash cow* or *star*.

Acting on Deviations

When evaluation shows that actual performance differs from expectations, managers need to take immediate marketing actions—exploiting positive deviations and correcting negative ones. Comparing the explosion in Apple's actual sales revenues from 2006 to 2014 (line BE in **Figure 2–11**) to its target sales revenues (line BD) shows Apple's rare, world-class ability to both generate and anticipate consumer demand and commercialize new technologies for its revolutionary offerings. Let's consider some of its marketing actions:

- *Exploiting a positive deviation.* Favorable customer reactions to Apple's iPhone (2007) and its iPad (2010) enable it to sell the products globally and to introduce improved versions and models, such as the iPad mini (2012) and the Apple Watch (2015).
- *Correcting a negative deviation.* As Apple's desktop PCs became dated, it moved aggressively to replace them with new iMacs and MacBooks. Also, Apple refreshed its MacBook Air and MacBook Pro lines of laptops (2013).

As we saw earlier in the BCG business portfolio analysis of the four Apple product lines, the firm has several *stars* and *cash cows* to fill in its planning gap. We shall explore Apple's market-product strategies in more detail later in **Chapters 9** and **10**.

learning review

2-10. What is the implementation phase of the strategic marketing process?

2-11. How do the goals set for a marketing program in the planning phase relate to the evaluation phase of the strategic marketing process?

LEARNING OBJECTIVES REVIEW

LO 2-1 *Describe three kinds of organizations and the three levels of strategy in them.*

An organization is a legal entity that consists of people who share a common mission. It develops offerings (goods, services, or ideas) that create value for both the organization and its customers by satisfying their needs and wants. Today's organizations are of three types: for-profit organizations, nonprofit organizations, and government agencies. A for-profit organization serves its customers to earn a profit so that it can survive. Profit is the money left after a for-profit organization subtracts its expenses from its total revenues and is the reward for the risk it undertakes in marketing its offerings. A nonprofit organization is a nongovernmental organization that serves its customers but does not have profit as an organizational goal. Instead, its goals may be operational efficiency or client satisfaction. A government agency is a federal, state, county, or city unit that provides a specific service to its constituents. Most large for-profit and nonprofit organizations are divided into three levels of strategy: (*a*) the corporate level, where top management directs overall strategy for the entire organization; (*b*) the strategic business unit level, where managers set a more specific strategic direction for their businesses to exploit value-creating opportunities; and (*c*) the functional level, where groups of specialists actually create value for the organization.

LO 2-2 *Describe core values, mission, organizational culture, business, and goals.*

Organizations exist to accomplish something for someone. To give organizations direction and focus, they continuously assess their core values, mission, organizational culture, business, and goals. Today's organizations specify their foundation, set a direction, and formulate strategies—the "why," "what," and "how" factors, respectively. Core values are the organization's fundamental, passionate, and enduring principles that guide its conduct over time. The organization's mission is a statement of its function in society, often identifying its customers, markets, products, and technologies. Organizational culture is a set of values, ideas, attitudes, and norms of behavior that is learned and shared among the members of an organization. To answer the question, "What business are we in?" an organization defines its "business"—the clear, broad, underlying industry category or market sector of its offering. Finally, the organization's goals (or objectives) are statements of an accomplishment of a task to be achieved, often by a specific time.

LO 2-3 *Explain why managers use marketing dashboards and marketing metrics.*

Marketing managers use marketing dashboards to visually display on a single computer screen the essential information required to make a decision to take an action or further analyze a problem. This information consists of key performance measures of a product category, such as sales or market share, and is known as a marketing metric, which is a measure of the quantitative value or trend of a marketing activity or result. Most organizations tie their marketing metrics to the quantitative objectives established in their marketing plan, which is a road map for the marketing activities of an organization for a specified future time period, such as one year or five years.

LO 2-4 *Discuss how an organization assesses where it is now and where it seeks to be.*

Managers of an organization ask two key questions to set a strategic direction. The first question, "Where are we now?" requires an organization to (*a*) reevaluate its competencies to ensure that its special capabilities still provide a competitive advantage; (*b*) assess its present and prospective customers to ensure they have a satisfying customer experience—the central goal of marketing today; and (*c*) analyze its current and potential competitors from a global perspective to determine whether it needs to redefine its business.

The second question, "Where do we want to go?" requires an organization to set a specific direction and allocate resources to move it in that direction. Business portfolio and diversification analyses help an organization do this. Managers use business portfolio analysis to assess the organization's strategic business units (SBUs), product lines, or individual products as though they were a collection of separate investments (*cash cows*, *stars*, *question marks*, and *dogs*) to determine the amount of cash each should receive. Diversification analysis is a tool that helps managers use one or a combination of four strategies to increase revenues: market penetration (selling more of an existing product to existing markets); market development (selling an existing product to new markets); product development (selling a new product to existing markets); and diversification (selling new products to new markets).

LO 2-5 *Explain the three steps of the planning phase of the strategic marketing process.*

An organization uses the strategic marketing process to allocate its marketing mix resources to reach its target markets. This process is divided into three phases: planning, implementation, and evaluation. The planning phase consists of (*a*) a situation (SWOT) analysis, which involves taking stock of where the firm or product has been recently, where it is now, and where it is headed and focuses on the organization's internal factors (strengths and weaknesses) and the external forces and trends affecting it (opportunities and threats); (*b*) a market-product focus through market segmentation (grouping buyers into segments with common needs and similar responses to marketing programs) and goal setting, which in part requires creating points of difference (those characteristics of a product that make it superior to competitive substitutes); and (*c*) a marketing program that specifies the budget and actions (marketing strategies and tactics) for each marketing mix element.

LO 2-6 *Describe the four components of the implementation phase of the strategic marketing process.*

The implementation phase of the strategic marketing process carries out the marketing plan that emerges from the planning phase. It has four key components: (*a*) obtaining resources; (*b*) designing the marketing organization to perform product management, marketing research, sales, and advertising and promotion activities; (*c*) developing schedules to identify the tasks that need to be done, the time that is allocated to each one, the people responsible for each task, and the deadlines for each task—often with an action item list and Gantt chart; and (*d*) executing the marketing strategies, which are the means by which marketing goals are to be achieved, and their associated marketing tactics, which are the detailed day-to-day marketing actions for each element of the marketing mix that contribute to the overall success of a firm's marketing strategies. These are the marketing program actions a firm takes to achieve the goals set forth in its marketing plan.

LO 2-7 *Discuss how managers identify and act on deviations from plans.*

The evaluation phase of the strategic marketing process seeks to keep the marketing program moving in the direction that was established in the marketing plan. This requires the marketing manager to compare the results from the marketing program with the marketing plan's goals to (*a*) identify deviations or "planning gaps" and (*b*) take corrective actions to exploit positive deviations or correct negative ones.

LEARNING REVIEW ANSWERS

2-1 **What is the difference between a for-profit and a nonprofit organization?**
Answer: A for-profit organization is a privately owned organization that serves its customers to earn a profit so that it can survive. A nonprofit organization is a nongovernmental organization that serves its customers but does not have profit as an organizational goal. Instead, its goals may be operational efficiency or client satisfaction.

2-2 **What are examples of a functional level in an organization?**
Answer: The functional level in an organization is where groups of specialists from the marketing, finance, manufacturing/operations, accounting, information systems, research and development, and/or human resources departments focus on a specific strategic direction to create value for the organization.

2-3 **What is the meaning of an organization's mission?**
Answer: A mission is a clear, concise, meaningful, inspirational, and long-term statement of the organization's function in society, often identifying its customers, markets, products, and technologies. It is often used interchangeably with *vision*.

2-4 **What is the difference between an organization's business and its goals?**
Answer: An organization's business describes the clear, broad, underlying industry or market sector of an organization's offering. An organization's goals (or objectives) are statements of an accomplishment of a task to be achieved, often by a specific time. Goals convert an organization's mission and business into long- and short-term performance targets to measure how well it is doing.

2-5 **What is the difference between a marketing dashboard and a marketing metric?**
Answer: A marketing dashboard is the visual computer display of the essential information related to achieving a marketing objective. Each variable displayed in a marketing dashboard is a marketing metric, which is a measure of the quantitative value or trend of a marketing action or result.

2-6 **What is business portfolio analysis?**
Answer: Business portfolio analysis is a technique that managers use to quantify performance measures and growth targets to analyze their firms' SBUs as though they were a collection of separate investments. The purpose of this tool is to determine which SBU or offering generates cash and which one requires cash to fund the organization's growth opportunities.

2-7 **Explain the four market-product strategies in diversification analysis.**
Answer: The four market-product strategies in diversification analysis are: (1) Market penetration, which is a marketing strategy to increase sales of current products in current markets. There is no change in either the basic product line or the markets served. Rather, selling more of the product or selling the product at a higher price generates increased sales. (2) Market development, which is a marketing strategy to sell current products to new markets. (3) Product development, which is a marketing strategy of selling new products to current markets. (4) Diversification, which is a marketing strategy of developing new products and selling them in new markets. This is a potentially high-risk strategy because the firm has neither previous production nor marketing experience on which to draw in marketing a new product to a new market.

2-8 **What are the three steps of the planning phase of the strategic marketing process?**
Answer: The three steps of the planning phase of the strategic marketing process are: (1) Situation analysis, which involves taking stock of where the firm or product has been recently, where it is now, and where it is headed in terms of the organization's marketing plans and the external forces and trends affecting it. To do this, an organization uses a SWOT analysis, an acronym that describes an organization's appraisal of its internal **S**trengths and **W**eaknesses and its external **O**pportunities and **T**hreats. (2) Market-product focus and goal setting, which determine what products an organization will offer to which customers. This is often based on market segmentation—aggregating prospective buyers into groups or segments that have common needs and will

respond similarly to a marketing action. (3) Marketing program, which is where an organization develops the marketing mix elements and budget for each offering.

2-9 What are points of difference and why are they important?

Answer: Points of difference are those characteristics of a product that make it superior to competitive substitutes—offerings the organization faces in the marketplace. They are important factors in the success or failure of a new product.

2-10 What is the implementation phase of the strategic marketing process?

Answer: The implementation phase carries out the marketing plan that emerges from the planning phase and consists of: (1) obtaining resources; (2) designing the marketing organization; (3) defining precise tasks, responsibilities, and deadlines; and (4) executing the marketing program designed in the planning phase.

2-11 How do the goals set for a marketing program in the planning phase relate to the evaluation phase of the strategic marketing process?

Answer: The planning phase goals or objectives are used as the benchmarks with which the actual performance results are compared in the evaluation phase to identify deviations from the written marketing plans and then exploit positive ones or correct negative ones.

FOCUSING ON KEY TERMS

APPLYING MARKETING KNOWLEDGE

1. *(a)* Using Medtronic as an example, explain how a mission statement gives it a strategic direction. *(b)* Create a mission statement for your own career.
2. What competencies best describe (*a*) your college or university and (*b*) your favorite restaurant?
3. Compare the advantages and disadvantages of Ben & Jerry's attempting to expand sales revenues by using (*a*) a product development strategy or (*b*) a market development strategy.
4. Select one strength, one weakness, one opportunity, and one threat from the Ben & Jerry's SWOT analysis shown in **Figure 2–7**. Suggest an action that a B&J marketing manager might take to address each factor.
5. What is the main result of each of the three phases of the strategic marketing process? (*a*) planning, (*b*) implementation, and (*c*) evaluation.
6. Parts of Tasks 5 and 6 in **Figure 2–10** are done both concurrently and sequentially. (*a*) How can this be? (*b*) How does it help the students meet the term paper deadline? (*c*) What is the main advantage of scheduling tasks concurrently rather than sequentially?
7. The goal-setting step in the planning phase of the strategic marketing process sets quantified objectives for use in the evaluation phase. What does a manager do if measured results fail to meet objectives? Exceed objectives?

BUILDING YOUR MARKETING PLAN

1. Read **Appendix A**, "Building an Effective Marketing Plan." Then write a 600-word executive summary for the Paradise Kitchens marketing plan using the numbered headings shown in the plan. When you have completed the draft of your own marketing plan, write a 600-word executive summary to go in the front of your own marketing plan.

2. Using **Chapter 2** and **Appendix A** as guides, focus your marketing plan by (*a*) writing your mission statement in 25 words or less, (*b*) listing three nonfinancial goals and three financial goals, (*c*) writing your competitive advantage in 35 words or less, and (*d*) creating a SWOT analysis table.
3. Draw a simple organization chart for your organization.

Video Case 2 Video Case 2: IBM: Using Strategy to Build a "Smarter Planet"

VIDEO 2-5

IBM Video Case

kerin.tv/13e/v2-5

"'Smarter Planet' is not an advertising campaign, it's not even a marketing campaign, it is a business strategy," explains Ann Rubin, vice president of advertising at IBM.

The "Smarter Planet" strategy is based on the idea that the next major revolution in the global marketplace will be the instrumentation and integration of the world's processes and infrastructures, generating unprecedented amounts of data. The data captured and analyzed in industries such as banking, energy, health care, and retailing will allow IBM to help businesses be more efficient, productive, and responsive.

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