

**Solution Manual for Contemporary Marketing 3rd Edition by Boone ISBN  
0176648828 9780176648824**

Full link download  
Solution Manual

<https://testbankpack.com/p/solution-manual-for-contemporary-marketing-3rd-edition-by-boone-isbn-0176648828-9780176648824/>

Test Bank

<https://testbankpack.com/p/test-bank-for-contemporary-marketing-3rd-edition-by-boone-isbn-0176648828-9780176648824/>

## **CHAPTER 2**

### **STRATEGIC PLANNING IN CONTEMPORARY MARKETING**

#### **CHAPTER OVERVIEW**

Today's marketers face strategic questions every day. Planning strategy is a critical part of their jobs. The marketplace changes continually in response to changes in consumer tastes and expectations, technological developments, competitors' actions, economic trends, and political and legal events, as well as product innovations and pressures from suppliers and distributors.

Although the causes of these changes often lie outside a marketer's control, effective planning can anticipate many of them. For example, when the price of gas and jet fuel soared recently, travellers opted to stay close to home instead of enjoying vacations to exotic, faraway places. This represented an opportunity for places like Banff, Alberta, and Niagara Falls, Ontario. Any destination that promoted itself to potential vacationers within a short drive could find itself adding up the profits.

This chapter lays a foundation for analyzing all aspects of marketing by demonstrating the importance of gathering reliable information to create an effective plan. These activities provide a structure for a firm to use its unique strengths. Marketing planning identifies the markets a company can best serve as well as the most appropriate mix of approaches to satisfy the customers in those markets. While this chapter focuses on planning, in later chapters the task of marketing research and decision making will be explored.

#### **Changes in the Third Canadian Edition**

The chapter has been updated and revised, with new features in several areas:

**The Opening Vignette** and **Connecting with Customers** profile a business you may not have heard of—Afexa Life Sciences—and the “ups and downs and ups” it has experienced as it tries to establish itself in the marketplace. The company was originally called CV Technologies. It is an exciting Canadian marketing story. CV Technologies is a firm that effectively combines traditional marketing media—radio and television ads and point-of-purchase displays—with newer promotion techniques: public relations, celebrity endorsements, and word-of-mouth promotion. An interesting aspect worthy of class discussion is the value of marketing to this technology firm. It has been spending as much as 20 percent of its revenue on marketing expenses as it has been attempting market penetration, product development, and market development as growth strategies.

**Solving an Ethical Controversy** analyzes the case of celebrity endorsements. It also discusses the question “Should companies hold the celebrities who endorse their products accountable for their personal actions?” The issue of brands being identified with celebrities and the effect of their

personal life on the performance of their endorsed brand is also analyzed. The pros and cons of this issue are discussed in “Tiger Woods Drives His Career into the Rough.”

**Go Green** describes how the Canadian retail industry is helping create environmentally responsible consumers. Canadian consumers are among the world’s most environmentally conscious. Marketers who are best prepared for the movement toward environmental sustainability will have a competitive advantage as this movement continues. Today, “Green Bags Outnumber Canadians.”

Copyright © 2013 by Nelson Education Limited

**Marketing and the SME** describes the way a small entrepreneurial firm is changing the way divorce is happening around the world. President and CEO Karen Stewart says, “[It] is about educating the public on the entire process of divorce, from removing emotions from decision making, to working to preserve the dignity of the family.” Find out more in “Fairway Divorce Solutions: Franchising a Fair Way to Divorce.”

**Marketing in a Digital World** describes how social media can help you increase your visibility, stay in touch with your target audience, and find prospective customers. There are some potential pitfalls for you to consider though. Get good advice in “Adding Social Media to Your Marketing Strategy.”

**Career Readiness** provides some simple guidelines to ensure the success of a conference over the phone or Internet. For details, refer to “Going Across the Country or Around the World through Virtual Meetings.”

**Chapter Case 2.1** “Food Fight” features two Canadian pizza companies—Pizza Pizza and Panago Pizza—as they fight for pizza dominance. The two companies are engaging each other across Canada as they implement strong growth strategies in a fierce battle for market share.

**Chapter Case 2.2** “Starbuck’s Strategy: It’s a Small World After All” describes Starbucks and its aggressive growth strategy, including plans to open many new stores in various international markets. The company intends to target younger consumers throughout the world, and is scouting countries and locations for more Starbucks stores. It is developing strategic alliances and partnerships in several markets, but it has also been subject to an unpredictable and uncontrollable political environment in some regions. In other regions, the economic environment poses a challenge and, in other regions, the social-cultural environment may be an obstacle.

**Collaborative Learning Exercises** are provided in several areas related to strategic planning and the marketing process—Planning Throughout the Organization, Defining the Organization’s Mission and Objectives, Strategic Planning, Formulating a Marketing Strategy, Promotion Strategy and Pricing Strategy, The Marketing Environment, and BCG Matrix.

**Video Case Synopsis** includes an overview of strategic planning and the marketing process at Preserve, a consumer products company.

### LECTURE OUTLINE

Opening Vignette and Connecting with Customers—Afexa Life Sciences, formerly CV Technologies, has been selling its flagship product, COLD-FX, since 1996. It has been employing a variety of growth strategies and is now attempting both product development and market development as it attempts to achieve greater success.

**Chapter Objective 1: Distinguish between strategic planning and tactical planning.**

**Key Terms:** planning, marketing planning, strategic planning, tactical planning

**PowerPoint Basic:** 3

**PowerPoint Expanded:** 3-5

Copyright © 2013 by Nelson Education Limited

<p>Career Readiness— Going Across the Country and Around the World through Virtual Meetings. <i>Ask students to provide a few other suggestions to ensure that participants stay focused during virtual meetings.</i></p>	<ol style="list-style-type: none"> <li>1. Marketing planning: the basis for strategy and tactics                     <ol style="list-style-type: none"> <li>a. Definition of <u>planning</u>: the process of anticipating future events and conditions and then determining the best way to achieve organizational objectives</li> <li>b. Planning is important for both large and small companies.</li> <li>c. Marketing planning                             <ol style="list-style-type: none"> <li>i. <u>Marketing planning</u> refers to implementing planning activities devoted to achieving marketing objectives.</li> <li>ii. An important trend in marketing planning centres on relationship marketing.</li> </ol> </li> <li>d. Good relationships with customers can arm a firm with vital strategic weapons.</li> <li>e. Many companies now include relationship-building goals and strategies in their marketing plans, maintaining databases to track customer preferences.</li> </ol> </li> <li>2. Strategic planning versus tactical planning                     <ol style="list-style-type: none"> <li>a. <u>Strategic planning</u> is defined as the process of determining an organization’s primary objectives and adopting courses of action that will achieve these objectives.</li> <li>b. Strategic planning includes allocation of resources, and provides long-term directions for the decision makers.</li> <li>c. <u>Tactical planning</u>, a complementary approach to strategic planning, guides the implementation of activities specified in the strategic plan.</li> <li>d. It addresses shorter-term actions, focusing on activities that need to be completed so that larger strategies can be implemented.</li> </ol> </li> </ol> <p><b>Assessment check questions</b></p> <ol style="list-style-type: none"> <li>1. Define planning. <i>Planning is the process of anticipating future events and conditions and of determining the best way to achieve organizational objectives.</i></li> <li>2. Give an example of strategic planning and tactical planning. <i>To survive in a challenging environment of soaring fuel costs, several airlines around the world have decided to merge as part of their strategic planning. Tactical plans include cutting the number of flights and charging passengers extra for checked baggage.</i></li> </ol>
---	---

**Chapter Objective 2: Explain how marketing plans differ at various levels in an organization.**  
**Key Terms:** none  
**PowerPoint Basic:** 4  
**PowerPoint Expanded:** 6

<p>Table 2.1 Planning at Different Managerial Levels. <i>Which managers focus most on broad goals and long-term planning? Which managers focus most on planning for day-to-day tasks?</i></p> <p><i>Note: Discuss how two</i></p>	<ol style="list-style-type: none"> <li>1. Planning at different organizational levels                     <ol style="list-style-type: none"> <li>a. Managers at all organizational levels devote some of their attention to planning activities.</li> <li>b. The amount of time spent on planning activities and the types of planning vary by organizational level.</li> </ol> </li> <li>2. Top management (CEO and functional vice-presidents)                     <ol style="list-style-type: none"> <li>a. Spend more of their time on planning than do lower-level managers</li> <li>b. Usually focus more on long-range strategic issues</li> </ol> </li> <li>3. Middle management                     <ol style="list-style-type: none"> <li>a. Tend to focus on operational planning, which includes creating</li> </ol> </li> </ol>
---	--

Copyright © 2013 by Nelson Education Limited

<p><i>companies approached a similar problem differently, with different results. How Yahoo! and Microsoft approached competing against Google is one good example.</i></p>	<p>and implementing tactical plans for their own departments</p> <ol style="list-style-type: none"> <li>b. Supervisors often develop specific programs to meet goals in their areas of responsibility.</li> <li>c. To be most effective, the planning process includes input from a wide range of sources, including employees, suppliers and customers.</li> </ol> <p><b>Assessment check questions</b></p> <p>1. How do marketing plans differ at different levels of the organization? <i>Top managers usually focus their planning activities on long-range strategic issues. In contrast, middle-level managers focus on operational planning, which includes creating and implementing tactical plans for their own units. Supervisors develop specific programs to meet goals in their areas of responsibility.</i></p> <p>2. Why is it important to get input from others when planning? <i>Input from a variety of sources—other employees, suppliers, or customers—helps ensure that many ideas are considered. Involving those people in planning can also turn them into advocates for the plan.</i></p>
---	--

**Chapter Objective 3: Identify the steps in the marketing planning process.**  
**Key Terms:** mission, marketing strategy  
**PowerPoint Basic:** 5-8  
**PowerPoint Expanded:** 7-11

<p>Figure 2.1 The Marketing Planning Process. <i>Which step might be more difficult than it seems? Which step do you think can be easily overlooked?</i></p> <p><i>Note: Choose a couple of local organizations and use their mission statements as class examples.</i></p> <p>Go Green: Green Bags Outnumber Canadians. <i>Ask students to identify companies for which the “green” environment creates an opportunity and for which it constitutes a threat.</i></p>	<ol style="list-style-type: none"> <li>1. Steps in the marketing planning process             <ol style="list-style-type: none"> <li>a. Define the mission.</li> <li>b. Determine objectives.</li> <li>c. Assess resources.</li> <li>d. Evaluate environmental risks and opportunities.</li> <li>e. Formulate a marketing strategy.</li> <li>f. Implement the strategy through operating plans.</li> <li>g. Gather feedback to monitor and adapt strategies when necessary.</li> </ol> </li> <li>2. Defining the organization’s mission and objectives             <ol style="list-style-type: none"> <li>a. The organizational mission                 <ol style="list-style-type: none"> <li>i. The mission is the essential purpose that differentiates the organization from others.</li> <li>ii. The mission statement specifies the organization’s overall goals and operational scope and provides general guidelines for future management actions.</li> <li>iii. Adjustments made to mission statement reflects changing business environments and management philosophies.</li> </ol> </li> <li>b. The organizational objectives                 <ol style="list-style-type: none"> <li>i. The basic objectives, or goals, in a firm’s mission statement guide the development of supporting marketing goals and plans.</li> <li>ii. Objectives should state specific intentions and specify a time period for specific achievements.</li> </ol> </li> </ol> </li> <li>3. Assessing organizational resources and evaluating environmental risks and opportunities             <ol style="list-style-type: none"> <li>a. This consists of an assessment of an organization’s strengths, weaknesses, and available opportunities.</li> <li>b. Organizational resources include capabilities of the firm’s</li> </ol> </li> </ol>
--	--



Copyright © 2013 by Nelson Education Limited

<p><i>Do advertisements viewed as personalized by marketers invade privacy? Do you think the potential of mobile advertising will provide a competitive edge?</i></p>	<p>production, marketing, finance, technology, and employees.</p> <p>c. Environmental effects can emerge both from within the organization and from the external environment.</p> <p>4. Formulating, implementing, and monitoring a marketing strategy</p> <p>a. A good marketing plan revolves around an efficient, flexible, and adaptable marketing strategy.</p> <p>b. A <u>marketing strategy</u> is an overall, companywide program for selecting a target market and satisfying customers in that market through the elements in the marketing mix—product, distribution, promotion, and price.</p> <p>c. The strategy must be monitored to ensure that objectives are being met.</p> <p>5. In the two final steps of the planning process, marketers put the marketing strategy into action; then they monitor performance to ensure that objectives are achieved.</p> <p>6. Sometimes strategies need to be modified if the product’s or company’s actual performance is not in line with expected results.</p> <p><b>Assessment check questions</b></p> <p>1. Distinguish between an organization’s mission and its objectives. <i>The firm’s mission is the essential purpose that differentiates the company from others. Its objectives guide development of supporting marketing objectives and plans. Sephora’s mission is to be “the beauty authority.” One of its objectives might be to convert all its packaging to recycled materials.</i></p> <p>2. What is the importance of the final step in the marketing planning process? <i>In the final step of the marketing planning process, managers monitor performance to ensure that objectives are achieved.</i></p>
<p><b>Chapter Objective 4: Describe successful planning tools and techniques, including Porter’s Five Forces model, first and second mover strategies, SWOT analysis, and the strategic window.</b></p> <p><b>Key Terms:</b> Porter’s Five Forces, first mover strategy, second mover strategy, SWOT analysis, strategic window</p> <p><b>PowerPoint Basic:</b> 9-12</p> <p><b>PowerPoint Expanded:</b> 12-17</p>	
<p>Solving an Ethical Controversy: Tiger Woods Drives His Career into the Rough</p> <p>Figure 2.2 Porter’s Five Forces Model. <i>Choose one of the forces and think of the ways it relates to a real-world marketing situation.</i></p>	<p>1. Successful strategies: tools and techniques</p> <p>a. Four tools for marketing planning include Porter’s Five Forces model, first and second mover strategies, SWOT analysis, and the strategic window.</p> <p>b. All these planning strategies have the goal of creating a sustainable competitive advantage for a firm, meaning that other companies cannot provide the same value.</p> <p>2. Porter’s Five Forces</p> <p>a. <u>Porter’s Five Forces</u> is a model that identifies five competitive forces that influence planning strategies.</p> <p>b. Porter later updated his model to include the impact of the Internet on the strategies that businesses use.</p> <p>c. They are:</p> <p>i. The threat of new entrants—is influenced by the cost and difficulty of entering a market. The Internet has reduced the barriers to market entry in many industries.</p> <p>ii. <u>Bargaining power of buyers</u>—can influence the firm’s</p>

Marketing and the SME: Fairway Divorce Solutions: Franchising a Fair Way to Divorce. Ask students whether this new business model can benefit from a first mover advantage, and how it can do so.

Figure 2.3 SWOT Analysis. Think of a well-known product and its possible weaknesses and threats. Then consider its strengths and opportunities.

Note: An example of a strategic window: During the extended period when HP and Compaq struggled to complete their merger, Dell Computer aggressively courted Compaq's large corporate customers trying to leverage Dell's strengths and take advantage of the confusion caused by the pending HP/Compaq merger.

- strategy as customers can easily find alternate suppliers and do price comparisons and switch to a better supplier
      - iii. Bargaining power of suppliers—is influenced by the number and size of suppliers
      - iv. The threat of substitute products—can be either products from a competing firm or industry
      - v. Rivalry among competitors—all the above four factors influence rivalry
    - d. Issues such as cost and differentiation or lack of differentiation of products—along with the Internet—influence the strategies that companies use to stand out from their competitors.
- 3. First mover and second mover strategies
  - a. A first mover strategy advocates that a company that is first to offer a product will be the long-term market winner. Being first may also refer to entering new markets with existing products or creating significant innovations that effectively turn an old product into a new one.
  - b. A second mover strategy advocates close observation of the innovations of first movers and then improving on them to gain market advantage
- 4. SWOT analysis
  - a. SWOT analysis helps planners compare internal organizational strengths and weaknesses with external opportunities and threats.
  - b. “SWOT” is an acronym for *strengths, weaknesses, opportunities, and threats*.
  - c. This is an important strategic planning tool.
  - d. SWOT – strengths
    - i. A set of core competencies—what the organization does well
    - ii. Core competencies are capabilities that customers value and competitors find difficult to duplicate.
    - iii. Matching an internal strength with an external opportunity produces a situation known as leverage.
  - e. SWOT – weaknesses
    - i. Environmental threats can attack an organization’s weaknesses.
    - ii. Planners must anticipate constraints when internal weaknesses or limitations prevent their organization from taking advantage of opportunities.
- 5. Strategic window
  - a. The strategic window refers to the limited periods when key requirements of a market and the particular competencies of a firm best fit together.
  - b. The view through a strategic window shows planners a way to relate potential opportunities to a firm’s capabilities.
  - c. It requires a thorough analysis of three elements:
    - i. Current and projected external environmental conditions
    - ii. Current and projected internal company capabilities
    - iii. How, whether, and when the firm can reconcile environmental conditions and company capabilities in order to implement one of the strategies

Copyright ©  
2013 by  
Nelson  
Education  
Limited



Media to Your  
Marketing Strategy.  
Ask students which  
companies and  
products can benefit  
from adding social  
media to their  
promotion strategy.

- Chapter 2 Strategic Planning in Contemporary Marketing Planning Strategies
- a. Marketing decisions can be divided into several variables or strategies that form the total package, called the marketing mix.
  - b. The four marketing mix variables are product, distribution, promotion, and pricing strategies.
  - c. The marketing mix consists of a blend of these four variables to fit the needs and preferences of a specific target market.
4. Product strategy

<p>Figure 2.4 Elements of a Marketing Strategy and Its Environmental Framework. <i>Discuss how each strategy reaches, persuades, and develops a relationship with buyers.</i></p> <p><i>Note: Ask students for examples of companies that formed alliances as a distribution strategy.</i></p>	<ul style="list-style-type: none"> <li>a. The term <u>product</u> means more than a good, service, or idea—it refers to a broad concept that also encompasses the satisfaction of all consumer needs in relation to a good, service, or idea.</li> <li>b. So <u>product strategy</u> involves more than just deciding what goods or services the firm should offer to consumer groups.</li> <li>c. It also includes decisions concerning customer service, package design, brand names, trademarks, patents, warranties, the life cycle of a product, product positioning, and new-product development.</li> </ul> <p>5. Distribution strategy</p> <ul style="list-style-type: none"> <li>a. The concept of <u>distribution strategy</u> refers to the ways marketers ensure that consumers find products in the proper quantities at the right times and places.</li> <li>b. Distribution decisions involve:             <ul style="list-style-type: none"> <li>i. Modes of transportation</li> <li>ii. Warehousing</li> <li>iii. Inventory control</li> <li>iv. Order processing</li> <li>v. Selection of marketing channels including intermediaries</li> </ul> </li> <li>c. Technology has opened up new channels of distribution in many industries (an example is online selling). The Internet has caused the biggest revolution in distribution since the mail-order catalogue.</li> </ul> <p>6. Promotion strategy</p> <ul style="list-style-type: none"> <li>a. <u>Promotion strategy</u> refers to the communications link between sellers and buyers.</li> <li>b. In developing a promotion strategy, marketers blend the various elements of promotion to communicate most effectively with their target markets.</li> <li>c. Integrated marketing communication (IMC) coordinates all promotional activities so that the consumer receives a unified and consistent message.</li> </ul> <p>7. Pricing strategy</p> <ul style="list-style-type: none"> <li>a. <u>Pricing strategy</u> deals with the methods of setting profitable and justifiable prices.</li> <li>b. It is closely regulated and subject to considerable public scrutiny.</li> <li>c. One factor that influences a marketer's pricing strategy is competition.</li> <li>d. A good pricing strategy should create value for customers, building and strengthening their relationship with a firm and its product.</li> </ul> <p><b>Assessment check questions</b></p> <p>1. What are the two components of every marketing strategy? <i>The basic elements of a marketing strategy are (1) the target market and (2) the marketing mix variables.</i></p> <p>2. Identify the four strategic elements of the marketing mix. <i>The marketing mix consists of product, distribution, promotion, and price strategies.</i></p>
--	---

**Chapter Objective 6: Describe the environmental characteristics that influence strategic decisions.**

**Key Term:** rule of three

**PowerPoint Basic:** 15  
**PowerPoint Expanded:** 27, 28

1. The marketing environment
  - a. Marketing decisions are not made in a vacuum.
2. Marketers make decisions about target markets and marketing mix variables by taking into account the dynamic nature of these five dimensions of the marketing environment:
  - a. Competitive
  - b. Political-legal
  - c. Economic
  - d. Technological
  - e. Social-cultural factors
3. Some recent trends in the marketing environment:
  - a. Expanding into foreign markets
  - b. Technology—especially the Internet
  - c. Marketers are now increasing efforts to get their messages to consumers via smartphone.
  - d. The rule of three means that in any industry, the three strongest, most efficient companies dominate between 70 and 90 percent of the market.
  - e. The importance of understanding prevailing cultural norms—bidding for auction is an example
  - f. The entire marketing environment provides a framework for all marketing activity.

**Assessment check questions**

1. What are the five dimensions of the marketing environment? *The five dimensions of the marketing environment are competitive, political-legal, economic, technological, and social-cultural factors.*
2. How is concern over the natural environment affecting the other dimensions? *Concerns over the natural environment have led to new and tighter regulations on pollution, which affect the political-legal environment in which marketers operate. Efforts toward sustainability are now social-cultural factors as well because consumer awareness is turning into consumer preference.*

**Chapter Objective 7: Describe the methods for marketing planning, including business portfolio analysis, the BCG matrix, and the strategic growth opportunity matrix.**

**Key Terms:** strategic business unit (SBU), stars, cash cows, question marks, dogs, market penetration, market development, product development, diversification

**PowerPoint Basic:** 16-18  
**PowerPoint Expanded:** 29-35

1. Methods for marketing planning
  - a. Many firms have developed planning methods to help with marketing decisions.
  - b. Three of these types of methods: the strategic business unit concept, the market share/market growth matrix, and the strategic growth opportunity matrix
2. Business portfolio analysis



Copyright © 2013 by Nelson Education Limited



Figure 2.5 BCG Market Share/Market Growth Matrix. *Think of a past or present product or service, a well-known business, or even a broad industry that might fit into each quadrant.*

- a. Top managers at large firms need a method for spotting product lines that deserve more investment as well as lines that aren't living up to expectations.
- b. Portfolio analysis attempts to evaluate products and determine the strongest and weakest.
- c. Strategic business units
  - i. A strategic business unit (SBU) is a key business element within a diversified firm.
  - ii. Each SBU has its own managers, resources, objectives, and competitors.
  - iii. Divisions, products lines, or even a single product may constitute a strategic business unit.
  - iv. An SBU, also called a category, focuses attention of company managers so that they can respond effectively to changes within limited markets.
- 3. Market share/market growth matrix (BCG matrix)
  - a. The market share/market growth matrix (or BCG matrix) places SBUs in a four-quadrant chart that plots market share—the percentage of a market that a firm controls—against market growth potential.
  - b. The quadrants are labelled *stars*, *cash cows*, *question marks*, and *dogs*.
  - c. Each of the four quadrants requires a unique marketing strategy.
  - d. Stars:
    - i. Stars represent units with high market shares in high-growth markets.
    - ii. They generate considerable income, but require even more cash to finance further growth.
  - e. Cash cows:
    - i. Cash cows have high market shares in low-growth markets
    - ii. Focus is to maintain this status for as long as possible
    - iii. The business produces strong cash flows, which could be used to finance growth of other SBUs with high potential
  - f. Question marks:
    - i. Question marks achieve low market shares in high-growth markets.
    - ii. Marketers must decide whether to continue supporting these products or businesses.
    - iii. They require more investment than they generate in cash.
    - iv. If a question mark cannot become a star, the firm should pull out of the market and target other markets with greater potential.
  - g. Dogs:
    - i. Dogs manage low market shares in low-growth markets.
    - ii. Since they promise poor future, marketers should consider withdrawing from these markets as quickly as possible.
- 4. Strategic growth opportunity matrix
  - i. Companies have four strategic growth opportunities, which involve some combination of present or new products and present or new markets

Figure 2.6 Ansoff's Strategic Growth Opportunity Matrix. *Think of a local business and explain how it might attempt to grow by following each of these strategic growth strategies.*

	<p><u>Market penetration</u> involves present products and present markets.</p> <p>ii. <u>Market development</u> involves present products but new markets.</p> <p>iii. <u>Product development</u> involves new products but present markets.</p> <p>iv. <u>Diversification</u> involves new products and new markets</p> <p><b>Assessment check questions</b></p> <p>1. What are SBUs? <i>Strategic business units (SBUs) are key business units within diversified firms. Each SBU has its own managers, resources, objectives, and competitors.</i></p> <p>2. Identify the four quadrants in the BCG matrix. <i>The BCG matrix labels SBUs stars, cash cows, question marks, and dogs. Stars are the products with high market shares in high-growth markets; cash cows command high market shares in low-growth markets; question marks achieve low market shares in high-growth markets; and dogs manage only low market shares in low-growth markets.</i></p> <p>3. Identify the four strategic growth opportunities. <i>The four strategic growth opportunities include market penetration, market development, product development, and diversification.</i></p>
--	--

## ANSWERS AND TEACHING NOTES TO CHAPTER EXERCISES

### Projects and Teamwork Exercises

- Choose one of the following companies, or select another one whose goods and services are familiar to you. On your own or with a classmate, formulate a mission statement for that company. Then create a list of objectives that reflect your company's mission.
  - Mark's Work Wearhouse
  - Petro-Canada
  - Tim Hortons
  - Bell Canada

*When students choose a company whose goods and services are familiar to them and create a mission statement, they might start with companies they particularly admire and check their websites for mission statement ideas. When formulating a mission statement, they should make sure that the company's overall broad objectives are spelled out, its philosophy is stated, and its intentions are listed in a clear-cut and straightforward way.*

- Using a first mover strategy, Apple's iPod, iPhone, and iPad have clearly established the lead in their markets. Research the products of another firm that produces either a digital music player or a smartphone to learn about its strategy. How has a second mover strategy benefited the firm? Has the second mover firm been able to catch Apple in sales?

*Students should first study Apple and its strategies to be leaders in innovative products, and then they should research the products of another firm that produces either a digital music player or a smartphone to learn about its strategy. They must understand the benefits as well as the risks involved in being a first mover. They must research the sales progress of the second mover firms, and present the findings.*

3. Create a SWOT analysis for yourself, listing your own personal strengths, weaknesses, opportunities, and threats.

*“SWOT” stands for strengths, weaknesses, opportunities, and threat—so a SWOT analysis looks at internal strengths and weaknesses and compares them with external opportunities and threats. To create their own SWOT analysis, students should begin by brainstorming the four categories and coming up with four lists. Then they can review the traits they’ve listed. They might start with the “bad news” first by looking at their weaknesses and the threats out there that might take advantage of these. Point out that they can limit their weak tendencies by anticipating what might hit them—thereby protecting themselves and reducing the chance of outside forces hurting them. Next they can turn to the “good news” and look at the positive side. What are their core competencies (what are they good at)? What opportunities do they see out there? Remind them that they can match one of their internal strengths to an opportunity, creating some leverage for themselves. What have they learned about their own qualities and shortcomings in planning for their future through SWOT?*

4. When rivals Samsung and Sony each unveiled their new 3D TVs at a major electronics store, some consumers couldn’t tell the difference between the two. But the firm’s strategies were very different. Sony now hires outside manufacturing firms to build its TVs, stating that the move will help cut costs and keep the company strong. In addition, Sony plans to add “Sony-unique applications,” including Internet content and streaming Sony films before their DVD release. But Samsung insists on manufacturing its own TVs, including its own computer chips. With a classmate, research these new offerings by both firms and evaluate their marketing strategy. Who is the target market for both of these TVs? How does product, distribution, promotion, and pricing fit into each firm’s overall marketing strategy?

*Students are expected to understand the strategies of Samsung and Sony. In creating marketing strategies, a firm decides to direct its efforts toward a particular group of consumers called a target market. Students will need to narrow their marketing strategy to fit certain specific groups of people, keeping in mind demographics, geographical location, lifestyle, etc. The strategies of Sony and Samsung would be different; hence, students should understand the differences in their approach in depth. Such an effort will help them get clarity on the concepts related to the elements of marketing strategy.*

5. Use your library resources or an Internet search engine to collect information on one of the following companies (or select one of your own). Identify the firm’s target market(s). Note that a large company might have more than one target market. Write a brief proposal for a marketing strategy to reach that market.

- a. MasterCard
- b. Costco
- c. Kia
- d. Lululemon Athletica

*In creating marketing strategies, a firm decides to direct its efforts toward a particular group of consumers called a target market. Students will need to narrow their marketing strategy to fit certain specific groups of people, keeping in mind demographics, geographical location, lifestyle, etc. Remind them that their proposed marketing strategy should have three elements—it should reach the right buyers at the right time, persuade them to buy the product, and lead to strong customer relationships over time. Some possible target markets for the given firms are suggested below, though the class will certainly come up with additional ideas.*

- a. MasterCard—businesspeople, company leaders, young consumers, baby boomers, seniors
- b. Costco—older females, younger females, young families, business purchasers
- c. Kia—baby boomers, females, first-time purchasers
- d. Lululemon Athletica—women, athletes, young adults, personal trainers

6. With a classmate, choose a company whose products you have purchased in the past. Create two ads for one of the company's products (or product lines). One ad should focus on the product itself—its features, packaging, or brand name. The second ad should focus on pricing. Present your ads to the class for discussion. Which ad is more effective for the product and why?

*Have students share the two ads created for a chosen company's products or product lines. Remind them that one ad should highlight the product itself—in some way stressing its features, packaging, or brand name. How can they get the word out on the unique traits of this product? What is unusual or eye-catching about the product that can be played up in an ad? The second ad should focus on pricing. How can price, value, quality, or other features be presented in a way that will encourage potential buyers to notice the product and consider purchasing it? After the demonstrations, start a class discussion on which ads were most effective in informing and persuading.*

7. On your own or with a classmate, research a firm that has been around for a long time, such as Ford, General Electric, or DuPont. Use your research to determine the ways that technology has changed the marketing environment for your firm. Present your findings in class.

*Students can get quite a bit of information from researching a mature company and its evolution over the years. They should have come up with an outline of technological changes and development of products over time, or even a timeline showing technological advances and their impact on the firm's marketing over the decades. A few suggestions on the firms given based on quick searches of their websites:*

*a. Ford—the Model T design, the assembly line, mass production, technology for the Lincoln luxury line, Mercury mid-priced division, Thunderbird sporty line, eventually Mazda, Jaguar, Land Rover, Aston Martin, and Volvo, plus newer technology in fuel efficiency and emissions has been incorporated in many models, and new hybrid technology is seen in the Ford Escape and Mercury Mariner.*

*b. General Electric—Thomas Edison's revolutionary incandescent electric lamp, the modern light bulb, the first lamp factory, the airplane engine and early jet engines, the steam turbine, the X-ray machine, the electric fan, electric toaster, plastic filaments for light bulbs, electrical installations, heating and cooking devices including early stoves and refrigerators, the TV set, washing machines, laser light, fibre optics, digital technology, magnetic resonance therapy and ultrasound technology, and much much more.*

*c. DuPont—chemicals and energy-based materials used in products and services for markets in agriculture, nutrition, electronics, communications, safety and protection, home and construction, transportation and apparel, including materials such as cellophane, nylon, plastics, and trademarked goods such as Pioneer® brand seeds, Teflon® fluoropolymers, films, fabric protectors, fibers, and dispersions; Corian® solid surfaces; Kevlar® high-strength material, and Tyvek® protective material.*

8. Suppose you are a marketer for Canadian toy manufacturer MEGA Brands. Top executives at the company have announced their ambition "to be the choice of every family around the world." They want you to look at the market potential in India in the next five years. Write a memo to your manager explaining how you think the social-cultural environment may affect your firm's marketing strategy in India.

*As marketer for a large Canadian toy manufacturer looking to expand overseas and particularly into India, you would want to do some quick research. An Internet search shows more than 800 toy and game manufacturers within the country, plus the competition of three giants—Mattel Toys, Funskool, and Lego—who are the biggest international players there. Apparently soft toys, computer games, dolls, electronic games are available, and not surprisingly, kids want "fun" toys while parents prefer "educational" toys. Ask students about the research they did on the cultural and social factors affecting*

*consumer behaviour and eventual purchase decisions in this nation, and how these elements impacted their memo on a marketing strategy.*

9. Select one of the following industries and research which firms might fall into the top three in the industry, creating a rule of three:
- fast-food restaurants
  - upscale hotels
  - electronics retailing
  - auto manufacturing

*The students should select any industry of their choice and preference from the four options. They must research the various companies in the industry, battling for a higher market share. From the findings, the top three companies that have a market share totaling 70 to 90 percent are to be listed. Few students can also explain the reasons for such domination by these big players of the industry.*

10. On your own or with a classmate, research one of the following large corporations. Select several product lines and classify each in the BCG matrix.
- Sears Canada
  - Johnson & Johnson
  - Conde Nast Publications
  - General Electric (GE)

*Students must select any corporation from the four listed out in the text. From the available product lines, they should select at least 6 to 8 and categorize them into stars, cash cows, question marks, and dogs. Their research should be accurate enough to classify the product lines into the four distinct categories. Students can also graphically represent the product lines in the four quadrants for a better representation of their findings. There should be a discussion over a few product lines that may fall in more than one category.*

### **Critical-Thinking Exercises**

1. Suppose you are a marketer for a Canadian manufacturer of pet supplies. Two top executives have proposed expanding the company by opening retail stores and marketing pets on-site—puppies, kittens, rabbits, birds, fish, and the like. What are the potential benefits and drawbacks of making a move like this? How would you advise your company to proceed?

*A company's strengths reflect its core competencies—what it does well. They are capabilities that customers value and competitors find difficult to duplicate. Straying from core competencies may have potential rewards, such as expanding into more attractive markets, but is also risky. On the other hand, even if a company focuses on its core competencies, sometimes it needs to broaden its offerings to maintain a competitive edge. The benefits could be better reach and coverage. Drawbacks could be inability of the company to leverage the decision. A comprehensive SWOT analysis can help the top management to take the right decision. Students answers may vary.*

2. Netflix has made thousands of streaming videos available to its unlimited subscribers. How does this strategy demonstrate a strategic window for the company?

*The view through a strategic window shows planners a way to relate potential opportunities to company capabilities. Netflix is in a unique position because unlike previous leaders in the movie rental business, it delivers movies and TV series directly to PCs via the Internet. A new system introduced by the company will allow them to sidestep computers and deliver movies directly to television sets.*

3. Choose one of the following products and describe how it may (or already has) become vulnerable to substitution. Then describe an overall strategy—with two or three tactics—for reducing this vulnerability.

- a. printed copies of periodicals or books
- b. television
- c. telephone landlines
- d. travel agencies

*This exercise asks students for an opinion but suggests that students think about products they use. Defending a product from competition might include adding features, delighting customers with better service, improving product quality, or lowering prices.*

4. Research the website of one of the following retail firms to identify its target market. Then outline a strategy for expanding that target market.
  - a. Tim Hortons
  - b. Aritzia
  - c. Roots Canada
  - d. Dollarama

*Students may select any one of these retail firms. The target groups must be clearly defined, explained, and a strategy that caters to those groups must be outlined. Ideas for expanding this target market must be feasible, and should be applicable to the current environment. A discussion on how to improve the offerings, and expand the target markets, will help the students to understand the concept in a better way.*

5. Research a company such as Molson Breweries or Kraft Foods that has a number of different successful SBUs. What factors do you think make these units—and this company—successful from a marketing standpoint?

*Student answers may vary. To evaluate each of their organization's strategic business units, students could use the market share/market growth matrix developed by the Boston Consulting Group. Discussion could also focus on how the selected company manages its SBUs.*

## **Ethics Exercises**

Recent tests by the Canadian Food Inspection Agency found 4.3 grams of fat in a McDonald's chicken fajita, advertised as having 2.5 grams of fat; 19.4 grams of fat in KFC chicken strips, advertised as having 12 grams of fat; and 0.7 grams of trans fat—a fat that many consumers try to avoid—in a Fresco soft taco, advertised as having 0.2 grams of trans fat. Frozen diet meals made by Lean Cuisine, Weight Watchers, and Healthy Choice, among others, averaged 8 percent higher in calories than listed on the package labels. Imagine that you are a marketer for a food manufacturer that competes with these firms.

1. Create an advertisement for your firm's food. Decide on a strategy and tactics. Would you follow in the footsteps of some of your competition or use accurate fat and calorie counts? Would you refer to the study that found discrepancies in your competitors' numbers?

*The exercise raises some important issues and students may come up with contradicting opinions. On one hand, the competitors are gaining market share by such unethical practices. On the other hand, beating competition would require attracting consumers using innovative, honest ways. This exercise will put the students in an ethical dilemma, and give solutions that can beat competition in either ethical or unethical ways. Some students may opt to ignore the studies that have discrepancies in the results, whereas, some might follow them.*



2. Would you price your own firm's food higher or lower than the competition's? Why?

*Students can have differing opinions for this question. Some might price the food higher, due to their low calorie count. Some might price the food items lower to attract consumers. The students should justify their solutions and elaborate the reasons for the pricing strategies used for the firm's food items.*

### Internet Exercises

**1. Business portfolio analysis.** Occasionally, companies sell parts of themselves to other firms. One stated motive for such divestitures is that the sold assets are a poor strategic fit for the rest of their business portfolios. One recent example is the sale of a controlling interest in NBC Universal by General Electric to cable giant Comcast. Using a major search engine, research the sale of NBC Universal. In the context of business portfolio analysis, why did GE decide to sell, and why did Comcast decide to buy, NBC Universal?

*Student answers will vary. Students are expected to visit a few websites that provide information on business portfolio analysis, NBC Universal, General Electric, and Comcast. The answers may include some of the information that follows.*

*NBC Universal is a media company—home to a broadcast network, movie studio, and a string of cable networks—which is not a competency for General Electric. However, Comcast provides cable television, broadband Internet, and telephone service to both residential and commercial customers. It may be in a better position to handle NBC's operations.*

**2. Mission and Objectives.** Visit the website of the Sara Lee Corporation (<http://www.saralee.com>), whose slogan is "the joy of eating." Define the firm's mission and objectives, and discuss how its brand and activities support both.

*Student answers may vary. The mission statement of Sara Lee, "To simply delight you...every day" suggests that the firm aims to give its customers a unique experience every time they use its products. The firm's objectives can include fast delivery of products, efficient supply chain management, and so on.*

**3. SWOT Analysis.** Visit the website of an organization whose goods and services interest you—such as Lululemon Athletica, National Hockey League, Travelocity, Apple, or Amazon.ca. Based on your research, create a SWOT analysis for your firm. Outline your own ideas for increasing the firm's strengths and reducing its weaknesses.

*Student answers will vary according to the product and industry they choose. In a SWOT analysis, the strengths of a firm are typically internal and are the core competencies of the firm, like efficient supply chain management, just-in-time inventory system, and so on. The weaknesses are internal, like lack of efficient management. The opportunities are usually external, like the changing customer preferences and the economic situation. The threats would normally include competitors.*

### Case 2.1 "Food Fight"—Questions for Critical Thinking

1. Identify one goal for Pizza Pizza and one goal for Panago Pizza.

*Students can suggest dozens of goals, many of which could serve either competitor. Make sure the goals they select are measurable and time-bound. The following are possible examples.*

- a. Pizza Pizza
  - to add two new dessert items by 2015
  - to increase sales revenue by 6 percent next year

- b. Panago Pizza
  - to open 30 new locations in Atlantic Canada by 2015
  - to introduce four new wing flavours within two years

2. Describe Pizza Pizza's corporate strategy for growth. Does it differ from Panago Pizza's corporate growth strategy? Explain.

*It is obvious that both companies are following market development (Panago goes east, and Pizza Pizza goes west) and a product development (new flavours, new items) growth strategies. Less obvious, but without doubt, both companies are involved in market penetration as well. Pizza Pizza previously introduced "the slice" as an attempt to grow its sales; Panago has added its personal-sized pizza to compete.*

3. If you were interested in owning a fast-food franchise today, would you prefer to own a franchise of the entrenched brand or of the invading brand? What factors would you consider when making your choice?

*Student answers will vary, and some will likely choose each option. Factors could include franchise fees, growth rates, product assortments, and even personal preferences (known and stable versus new and exciting).*

### **Case 2.2 "Starbucks' Strategy: It's a Small World After All"—Questions for Critical Thinking**

1. Create a brief SWOT analysis for Starbucks, focusing on its plans for international growth. Do you think this strategy is a good one for the company? Why or why not?

*Most students will be able to identify many of Starbucks' strengths, including a strong brand name and a winning marketing strategy. It's perhaps harder to identify weaknesses, but some students may question whether the company has the financial resources to continue to expand rapidly. Opportunities and threats are both identifiable and include high growth potential markets (an opportunity), local tastes and preferences (a possible threat), potential market saturation (a possible threat), and competition (a threat). While there may be some dissenters, a majority of students will likely argue that Starbucks' international growth strategy is sound.*

2. Identify the dimensions of the marketing environment that are most likely to affect Starbucks' strategy for global growth and explain why.

*Students should identify the economic (consumer demand may be sensitive to economic conditions), socio-cultural (will the Starbucks business model and brand appeal to people outside the United States and Canada?), and possible legal (will foreign governments restrict Starbucks' expansion into their markets?) dimensions as having the greatest potential impact on the firm's strategy for global growth.*

### **Video Case Synopsis "Strategic Planning and the Marketing Process at Preserve"—Questions for Critical Thinking**

1. Do you consider Preserve's strategy for the Preserve brand a first mover or second mover strategy? Explain.

*If viewed as a mere recycling company, Preserve is utilizing a second mover strategy—the company is improving upon prior first-mover recycling businesses. However, if thought of as a recycled products company, Preserve is using a first mover strategy, for the company is a pioneer in transforming recycled material into new consumer-goods products. Interestingly, by participating in the company's recycling program, Preserve customers actually supply the raw materials that are transformed into Preserve brand products during manufacturing. Eco-minded consumers have shown great interest in seeing their used plastics transformed into new products.*

2. Perform a SWOT analysis on Preserve. Identify their core competency and their weaknesses in the marketplace.

*A SWOT analysis compares a firm's internal organizational strengths and weaknesses with external opportunities and threats. Preserve's strengths: a compelling "green story"; the ability to make high-quality eco-friendly products at competitive price points; distribution through Whole Foods and Trader Joe's; strong relationship marketing with green customers via Internet and email. Preserve's weaknesses: limited advertising and promotions budget; limited range of materials that can be recycled for use in Preserve brand products; relatively unknown small business. Market opportunities: popular "green products" trend; growing network of green supply chain partners. Market threats: large competitors in personal-care product market; potentially faddish nature of green marketing. Students' answers about Preserve's core competency will vary, but the company's ability to make affordable, high-quality, 100 percent recycled products is a small niche and is difficult for other companies to duplicate.*

## COLLABORATIVE LEARNING EXERCISES

### Planning Throughout the Organization

Purpose:

To highlight a key challenge in gathering information for strategic planning

Background:

Research clearly states that when your entire organization gathers and shares information, the planning process is more effective and better integrated into the organizational culture. But the best way to achieve full employee participation is much less clear. This exercise is designed to help students explore potential approaches to achieve more widespread information sharing.

Relationship to Text:

Planning at Different Organizational Levels

Estimated Class Time:

About 10 to 15 minutes

Preparation/Materials

None needed

Exercise:

Ask your class why they think it is so difficult to achieve a free flow of information and ideas in most companies. As they share their thoughts, you may want to point out that money isn't always the answer; in fact, offering money in exchange for ideas can spawn a counterproductive, competitive dynamic among employees at all levels. Ironically, technology doesn't always help either. Joseph Priestley, a pioneer of modern science, summed up a common issue by observing, "The more elaborate our means of communication, the less we communicate."

After a brief discussion, break your class into small teams and give about five minutes to brainstorm possible solutions. When you reconvene as a class, ask each group to share their best idea (possibilities usually range from hosting weekly planning lunches with all employees, to engaging Intranet approaches, to raising overall pay). This often leads to a helpful and spontaneous discussion about which method works best in which situation, and why.

Questions for Reflection:

How does planning connect to corporate culture?

Is employee participation likely to become more or less important as our economy evolves? Why?

### **Defining the Organization's Mission and Objectives**

**Purpose:**

To give students a personal perspective on mission statements

**Background:**

This exercise is designed to explore and articulate their personal "mission statements." Typically it is both interesting and inspiring, and helps students understand how organizations use their mission statements to differentiate themselves and to guide their decision-making at a more visceral level.

**Relationship to Text:**

Defining the Organization's Mission and Objectives

**Estimated Class Time:**

About 10 minutes

**Preparation/Materials:**

Each student will need paper and a pencil or pen.

**Exercise:**

Ask each student to spend a few moments writing a personal mission statement for his or her life. For the discussion to be effective, avoid providing many cues. You can let the discussion progress on its own and intervene to provide a direction when students get stuck. After about five minutes, ask for volunteers to share their statements. If no one volunteers, start by calling on a few people who tend to be articulate in class. The results can be staggering. And the discussion is typically spontaneous and lively—but if not, ask students to identify similarities and differences in their statements, possibly across gender, age, hometown, college major, or other demographic traits and lifestyle characteristics. What do their statements say about ethics, values, and locus of control? How do their personal missions influence their actions and decisions on a day-to-day basis? You may want to close by calling their attention to the obvious parallels between personal and organizational missions.

**Questions for Reflection:**

What are the characteristics of a strong mission statement? (You might want to precede this question with some examples of corporate mission statements. Some possibilities: Merck—to preserve and improve human life; Mary Kay—to give unlimited opportunities for women.) Extend the exercise by asking each student to do a personal SWOT analysis, the logical next step in strategic planning.

### **Strategic Planning**

**Purpose:**

To give your students hands-on experience with basic strategic planning for a very familiar entity—theirself!

**Background:**

Attempting to implement strategic planning, students often struggle to find the balance between an approach that's too narrow and an approach that's too broad. This exercise is designed to help students achieve the right balance by examining their personal strategic plans and zeroing in on

both wide-range and detailed issues (while receiving some unexpected guidance from their peers about their careers).

Relationship to Text:  
Strategic Planning

Estimated Class Time:  
About 15 minutes

Preparation/Materials:  
Each student will need paper and a pencil or pen

Exercise:  
Ask students to write down a brief strategic mission statement for their careers, looking at the five-year horizon. From a professional standpoint, what do they aspire to be? Collect the papers, shuffle them, and redistribute them to the class. Ask each student to write a five-point strategic plan for the person whose paper he or she received. Each point in the plan should be no more than a sentence or two. Remind the class to be sure that all of their points are specific and measurable, and most importantly, will bring the student closer to the overall strategic goal. After about ten minutes, call on a handful of students and ask them to share their classmate's goal and the five-step plan that they created.

Questions for Reflection:  
Was it easy or hard to write the plan? Why? Where did they have problems?  
How could a strategic plan help develop your career? Why?  
How does developing a personal strategic plan compare to developing a business strategic plan?

## Formulating a Marketing Strategy

Purpose:  
To help students explore strategic solutions for a contemporary marketing issue

Background:  
Not surprisingly, fast-food restaurants are feeling under siege. Recent studies are highlighting health hazards across Canada and citing rampant obesity, child obesity, the dangers of trans fats, and more. As low-carb diets became popular, retail sales of french fries—a staple of fast-food restaurants—plummeted, dropping 2.9 percent in 2001, 3.3 percent in 2002, and 10 percent in 2003 ([www.whybiotech.com](http://www.whybiotech.com)). From a PR perspective, the 2004 documentary *Super Size Me* fanned the flames. This exercise is designed to help students explore potential solutions—and ethical implications—for this strategic challenge from the fast-food industry perspective.

Relationship to Text:  
Formulating, Implementing, and Monitoring a Marketing Strategy

Estimated Class Time:  
About 20 to 25 minutes

Preparation/Materials:  
You may want to copy the background and the case situation for each student.

**Exercise:**

Divide your class into small groups and share with them the following case. Situation: You and your teammates are partners in the ownership of a medium-sized fast-food chain. You own 41 outlets, most of them in small towns. The mainstay of your menu is hamburgers and french fries, although you also offer a couple of sandwiches, chips, soft-serve ice cream, and drinks of various types. Your most important customers are men aged 18 to 34 (they account for about 20 percent of your customers and about 55 percent of your sales), but since restaurant options are limited in most of the towns where you operate, you serve customers across a wide demographic range. Sales in the past two years have been dropping at an accelerating rate. You have to meet with your partners to discuss potential solutions. Give your class about 10 minutes to brainstorm options. Encourage them to consider all the possibilities including doing nothing (“This will all blow over ...”). Then, direct each group to choose their best option, and to identify the potential risks and benefits (e.g., if they made changes to attract new customers, will they alienate their current customers?). Reconvene as a class, and ask each group to report briefly to their peers. Which solution does the class like best? Why?

**Questions for Reflection:**

What additional information do you need to formulate the best solution?

What are the ethical implications of each choice?

Should your personal perspective play a role in your strategic decision making? Why or why not? (You may want to preface this question by asking how many of your students eat fast food more than once a week.)

**Promotion Strategy and Pricing Strategy**

**Purpose:**

To explore the relationship between the promotional and pricing strategies

**Background:**

Clearly, all elements of the marketing mix are interrelated, so this exercise is designed to highlight the links between promotion and pricing

**Relationship to Text:**

Promotion Strategy and Pricing Strategy

**Estimated Class Time:**

About 15 minutes

**Preparation/Materials:**

Each student needs to have unlined paper and a pencil or pen

**Exercise\*:**

Break your class into small groups. Ask each group to choose a good or a service that they all know and like, and to create two ads for that product: one that focuses on price, the other on the features and benefits of the product itself. (They can do print, radio, TV, or Internet ads, as long as both ads are designed for the same media.) Let them know upfront that they’ll need to present their ads to the class. When the teams present their ads, conduct a quick vote to see which ad the class liked better for each product. Keep a tally on the board showing each of the products and the winning type of ad. Results will vary significantly based on the product categories (and, of course, the creativity of the students). Follow-up discussion can be interesting, surprising, and fun. What type of ads worked best, and why? How did the product category and price affect the promotional strategy? Does the broader market reflect the findings of the class? Why or why not?

Questions for Reflection:

What factors should a company consider when developing their pricing strategies? What about their promotional strategies? Why?

\*This exercise was adapted from the text.

## The Marketing Environment

Purpose:

To highlight the importance of the marketing environment

Background:

This quick, discussion-based exercise is designed to help students better understand the impact of the external environment on marketing decisions

Relationship to Text:

The Marketing Environment

Estimated Class Time:

About 10 minutes

Materials/Preparation:

None needed

Exercise:

Choose a branded product that your students seem to all know and enjoy. Higher-end products, such as an Apple iPad or a Burton snowboard, seem to work especially well for this exercise. Guide your students in a discussion of how each element of the external environment—competitive, political-legal, economic, technological, and social-cultural—could influence the success of their product over the next five years. Encourage them to consider factors beyond the obvious (e.g., the emerging development of year-round snow-makers, or virtual reality snowboarding games). As you develop your list, you may want to also remind them that a marketer cannot control the external environment, but he or she must respond to it effectively.

Questions for Reflection:

Which element of the marketing environment is most important? Why? Would the answer be different for different product categories?

Which elements have the most impact on a marketer's day-to-day decision-making? Which elements are likely to generate surprises? (You may want to point out how many companies were surprised by the bursting of the "dot-com" bubble in the 1990s.)

What are effective ways to monitor the marketing environment on an ongoing basis?

## BCG Matrix

Purpose:

To help students gain a fuller understanding of the BCG matrix as a planning tool

Background:

While the concept of the BCG matrix is straightforward, many students have trouble understanding how it applies to actual situations as an investment tool. This exercise is designed to foster a deeper understanding through a hands-on case study approach.

Relationship to Text:



## BCG Matrix

Estimated Class Time:  
About 25 minutes

Materials/Preparation:  
None needed

### Exercise:

Announce to your class that they will do a case study on the talent agency business (which most of them will find more glamorous and exciting than it really is). Begin by brainstorming a list of movie stars, celebrities, and entertainers. Encourage the class to include a wide variety, from current box office draws, to over-the-hill talents, to emerging stars. Then, divide your students into small groups and tell them that each group represents a small talent agency. Their list includes the stars that you listed on the board. Give them each a hypothetical \$10 million to invest in marketing the personalities in their stable of stars, and direct them to use the BCG Matrix to make their investment choices. Ask each group to present their allocation and rationale in terms of the matrix. You will probably find that they were tempted to invest big dollars in their “cash cows,” which makes for an interesting discussion.

### Questions for Reflection:

What are the strengths and weaknesses of the BCG Matrix as a strategic planning tool?  
What kind of information do you need in order to use this tool most effectively?