

**Solution Manual for Marketing An Introduction Canadian 5th Edition Armstrong
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**CHAPTER 2
COMPANY AND MARKETING STRATEGY: PARTNERING TO BUILD
CUSTOMER RELATIONSHIPS**

General Teaching Tips for this Chapter

This chapter starts outlining some fairly difficult subjects for students. Strategic planning, growth- share matrices, and even the development of the marketing mix are relatively tough concepts for a second chapter in a beginning marketing text. Therefore, when planning how to present the material, be sure to leave plenty of time to go through at least some of the Applying the Concepts, as well as defining what the Key Terms really mean in the everyday working world. Several of the concepts presented in this chapter become important later in the text, and if the students come away understanding this chapter, they will have an easier time later in the semester.

Companywide Strategic Planning can be covered in about 15 minutes. Focus on the “thread” that ties together the corporate strategic plan, corporate and business unit objectives, and the business or product portfolio. This last topic should be prominent in the discussion, as it sets the stage for later discussions of new product development.

The second major section of the chapter, Planning Marketing, can be covered in 5 minutes. Although this section is important and touches on issues that will come up later in the text, it does not need to have the same level of focus as the other topics in this chapter.

The next section, Marketing Strategy, is extremely important; 20 minutes should be devoted to this topic. In particular, ensuring the students understand the true meaning of developing an intelligent marketing mix will set the stage for such later topics as integrated marketing

communications, because they will already have thought about how different components of a plan should work together.

Finally, 20 minutes should also be devoted to Managing the Marketing Effort. This section should really drive home the notion that marketing isn't just a creative endeavour. For instance, under marketing analysis as well as understanding the marketing environment, you can point out how these topics are a big part of what market research is all about.

More teaching tips follow below, in conjunction with each content section of this chapter.

Ideas for Activities and Assignments based on Opening Story (Christie Digital)

This point of this story is make students realize that not every company markets a consumer product that they, personally, will buy and use—but that doesn't mean B2B companies are boring. Far from it. Students have probably all seen the end results of the projection mapping equipment that Christie Digital manufactures and markets.

To introduce the idea of projection mapping to students, show some videos. Here are just a few examples that you can easily find on YouTube and show to the entire class:

- Mosaika show at Parliament Hill, 2010
- The opening ceremonies of the 2014 Olympics in Sochi
- The opening of the Queen's Diamond Jubilee, in front of Buckingham Palace, June 2012—search for “projection on buckingham palace” or “projection mapping buckingham palace.”
- The performance by Madness at the Queen's Diamond Jubilee (search for Madness diamond jubilee)

Once they have the general idea of what projection mapping is, and have seen the applications of it in the realm of entertainment, have them examine the Christie Digital website looking for case studies and videos, and find examples of non-entertainment uses of Christie's technology.

Ideas for Activities and Assignments based on M@W 2.1 (Logitech)

Despite competition from giant Microsoft, Logitech remains top-of-mind when it comes to computer mice and other peripherals. See chapter 8 for a photo of the latest innovation from Logitech, the waterproof keyboard. This feature is intended to drive home the point that smart marketing means focusing on markets (target markets) that you can serve well, and not trying to be everything to everyone.

In-class group participation exercise: Conduct a SWOT analysis of Logitech. Identify the most important threat affecting Logitech. What is the company's greatest opportunity in terms of marketing? Hand in for participation points.

Ideas for Activities and Assignments based on M@W 2.2 (The CMO/Canadian Tire)

This feature describes the role of the CMO or chief marketing officer in the “C-suite” of senior executives, and explains how the job of CMO is particularly challenging. It gives the example of Duncan Fulton, Canadian Tire’s CMO.

In-class small group participation exercise: Examine the Canadian Tire website, both the retail site and the corporate site. Make a list of the SBUs. What is Canadian Tire’s mission statement? Is it product focused, or market focused? If you were Duncan Fulton, would you change it, and if so, what would you change it to? What are Canadian Tire’s stars, cash cows, question marks, and dogs?

LO1: Explain company-wide strategic planning and its four steps.

To understand the role and place of top level marketing planning within a corporation, we first teach students the basic, typical, top level organization of a corporation. Refer to Figure 2.1: Most companies start their **strategic planning process** by defining an overall purpose and mission. This mission is turned into specific objectives that guide the whole company. Next, senior managers at the corporate level decide what portfolio of businesses and products is best for the company and how much support to give each one. In turn, each business and product develops detailed marketing and other departmental plans that support the company-wide plan.

Marketing planning occurs at the business unit, product, and market levels.

Marketing planning step 1: Defining the mission statement. A **mission statement** is a statement of the organization’s purpose, and should be **market-oriented**, not product-oriented.

Marketing planning step 2: Setting company objectives and goals.

LO1: Assignments and Activities

Students will largely be unfamiliar with strategic planning and its concepts and objectives. Making this come alive with the examples in the textbook, or your own examples from your own experience, will help them deal with the complex issues in this section. Working through a mission statement for the marketing department of your university, or for the business college within which it exists, may give the students a greater appreciation for the difficulty and importance of defining a mission that lives and breathes life into the objectives that follow.

You can also have the students look up the mission statements for the companies used as examples in the text, to see if those missions have changed—they shouldn’t have, and you can make the point that mission statements rarely, if ever, change.

Another activity they’ll find interesting is to look up the mission statement of the dream organization they would like to work for one day.

LO2: Discuss how to design business portfolios and develop growth strategies.

Marketing planning step 3: Designing the business portfolio; the collection of businesses and products that make up the company—i.e. the groupings of what the company markets. This only applies to large companies; small companies will have only one “portfolio” of products.

Strategic business units (SBUs): this is another name for the sub-businesses and product groupings that make up the company's business portfolios. Again, it is important for students to understand this only applies to large companies like Procter & Gamble, Disney, Campbell's, Rogers, General Motors, and the other examples given in the text. Another important point to make is that the structure and organization of SBUs changes from time to time, as companies re-think and re-organize. So one in-class exercise you can do for this section is to have students research the large companies mentioned, and find out (a) what their SBUs are; and (b) whether and how they have changed since they were described in the text.

BCG's growth-share matrix: stars, cash cows, question marks, dogs. This portfolio analysis tool can also be difficult to understand. Again, working through examples with companies the students should be familiar with will aid understanding. University business courses rarely talk about cross-functional team work, so this may come as a surprise to students. If they have worked in internships with large companies, they may well have seen functional silos at work, and their coursework only serves to reinforce that mentality. Examples of companies failing because of a lack of team work—which can happen frequently at small companies in particular—will open many students' eyes to the importance of ensuring that all functions work in concert to make the company a success.

Strategies for growth and downsizing: Students should be familiar with the product/market expansion grid (Figure 2.3), and with the terms **market penetration strategy** vs. market development strategy. Also with the terms **diversification**, **downsizing**, and **harvesting**. Focus on Under Armour, the example used in this section of the text—it's a brand the students are probably familiar with.

Students may find it difficult to understand the growth strategies shown in the product/market expansion grid, because this is a theoretical model and an abstract concept. Though these areas are carefully described in the text, it is useful to make sure that students understand the mix of alternatives available to the strategist. One way to do this is to pick another example besides the example used in the text and have the students suggest acceptable alternatives. Remind students to think about how the example companies have expanded or contracted in recent years. Also, make students practice using the terms from the expansion grid in their discussions so a proper business strategy vocabulary will be built. This practice will really help the students when an exam rolls around.

LO2: Assignments and Activities

In-class group participation/game show activity: Break students into groups of four or five and have each team prepare a set of 12-15 slides that show images of products they believe to be

either stars, cash cows, question marks, or dogs. (They should research BCG's website and the terms for more information.) Each team must assign a team captain, and the team captain must have some kind of buzzer they can use to indicate they are ready to answer the question. Then, one team at a time goes to the front of the class and goes through their slide, asking the other teams, is this an example of a star, a cash cow, a question mark, or a dog? To avoid anarchy, only the team captains may "buzz" in to answer the question. It is up to the team asking the questions to judge whether the answer is right or not. As the instructor, all you need to do is facilitate and observe, and record participation points as you see fit.

LO3: Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.

Marketing planning step 4: At market level, plan marketing strategies and tactics.

This section builds on what was learned in chapter 1: Marketing plays a key role in the company's strategic planning in several ways. It provides a guiding philosophy—the marketing concept—that suggests that company strategy should revolve around building profitable relationships with important consumer groups. Marketing provides inputs to strategic planners by helping to identify attractive market opportunities and by assessing the firm's potential to take advantage of them. And within individual business units, marketing designs strategies for reaching the unit's objectives. Once the unit's objectives are set, marketing's task is to help carry them out—profitably.

Customer value and value chains: As we learned in chapter 1, customer value is the key ingredient in the marketer's formula for success, but marketers alone cannot produce value for customers. Although marketing plays a leading role, it can be only a partner in attracting, keeping, and growing customers. In addition to customer relationship management, marketers must also practise partner relationship management.

Partnering with other company departments: Value chains and supply chains are important concepts that also are typically not discussed in other courses. Getting students to understand these concepts is important for their understanding of the remainder of the course. Showing how sloppy quality in a component purchased from a vendor ultimately affects customer satisfaction will help.

Partnering with Others in the Marketing System: Companies must look beyond their own internal value chain and into the value chains of their suppliers, distributors, and, ultimately, customers. Think of McDonald's as a **marketing system**. People do not swarm to McDonald's because they love the chain's hamburgers—they flock to the McDonald's system, for everything it comprises and represents: a familiar restaurant; breakfast sandwiches; late night snacks; fun products and services for kids; a drive-through; and a consistent level of service and value for the money. Another way to view the marketing system is as a **value delivery network**; a network made up of the company, suppliers, distributors, and, ultimately, customers who partner with each other to improve the performance of the entire system.

LO3: Assignments and Activities

Small group in-class participation : Draw a diagram representing McDonald's marketing system or value delivery network.

LO4: Describe the elements of a customer-driven marketing strategy and mix, and the forces that influence it.

Introduce the term “marketing mix” by showing Figure 2.4 and Figure 2.5 and discussing it with the class. Students often miss this concept at the early stages of the course, and then weeks later start asking, “What do you mean by marketing mix?” The **marketing mix** is simply the collection of marketing tools and activities a company employs, and includes considerations of product, pricing, distribution (i.e. place/location), and promotion (i.e. marketing communications and advertising). They should think of the term **marketing strategy** as describing the company's top level decisions about how, exactly, to employ the tactics of each of the four Ps—the marketing mix.

This section also introduces the topics of **market segmentation, targeting, differentiation, and positioning**. At this point, students only need a general idea of what these terms mean; they will be studied in detail in chapter 7.

Market **segmentation and targeting** is universally a new concept to students, unless they happen to have a parent who works in marketing. Although this is discussed in detail in a future chapter, showing how a large, amorphous market can be broken down in more and more detailed groups of buyers will help.

Market **positioning** can be difficult to understand as well. Students will normally think of a product in terms of its features, and although positioning includes the features, it also spans the concepts of benefits and perceptions. Using examples of brands at opposite ends of a price continuum, such as Rolex versus Timex watches, helps drive home what positioning means.

The concept of “**translating**” the four Ps into the four Cs is an application of the marketing concept—the four Ps are the “old fashioned” way of looking at marketing, from the perspective of the company. The four Cs are the same ideas, but the perspective is that of the customer.

LO4: Assignments and Activities

In-class group participation activity: Examine the websites of Harry Rosen's and Moore's. What is the positioning strategy for each of these clothing retailers? How are they similar? How are they different? Have students brainstorm these questions, jot down answers, and hand in one page with their names for participation points.

LO5: List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing return on marketing investment.

The most important concept in this section is the theoretical model of the **SWOT analysis**. Students may have learned this in an intro to business or other business strategy course, but it never hurts to give them more opportunities to practice using it. The biggest problem you'll find with students is that they think of doing a SWOT analysis as an academic exercise; they write down points but don't really think about what they mean, or whether they are important. It's as though they think the goal is to have as many items under each SWOT category as possible.

A good way to introduce the SWOT analysis is to do one as a group, using a company and industry that they are all familiar with, and writing their ideas on the board, like in a group brainstorming session. But after you've got 4-5 points under each SWOT letter, go back through each one and discuss and analyze them further. Get students to narrow it down to only one point under each—the most important strength of the company, the most important weakness, the most important opportunity, and the most important threat.

Figure 2.7 is another important, basic theoretical concept of marketing that students need to understand before moving on in the text. It's the idea that marketing is an ongoing function that “starts” with **analysis** of the situation (SWOT analysis), then **plans** the strategies, tactics, and programs; then **implements** those programs; and then “**controls**” or reviews and monitors them. Reviewing and monitoring marketing programs also requires analysis, which brings us back to the first stage in the process. And so on, and so on, in a never-ending cycle.

Introduction to the marketing plan: Most instructors who teach introduction to marketing give a term assignment for students to write a marketing plan for a company of their choosing. In this section, you can introduce the topic and go over the outline of a marketing plan on page 64.

Marketing department organization: The size of the marketing department depends on the size of the company, and in a large company there might be several sub-departments like a group working only on market research, another on marketing programs, and another on marketing communications. In a company with a large sales force, there might be a marketing department devoted exclusively to sales support. The lowest job level is the marketing assistant or marketing specialist, reporting to a marketing manager, reporting to a marketing director, reporting to a marketing vice president. A large company may even have more than one marketing VP. And a very large, marketing-focused organization will have a **chief marketing officer**, or CMO. (See Marketing@Work 2.2.)

Marketing ROI: Marketing has traditionally been viewed as a cost, and the marketing department as a cost centre (as opposed to a profit centre, which is how sales departments are viewed—hence the longstanding animosity between marketing and sales), but in today's modern marketing world, marketers are under pressure to show proof of a return on the company's investment in marketing. This is called marketing ROI.

Return on marketing investment is the net return from a marketing investment divided by the costs of the marketing investment. It is difficult to measure primarily due to lack of a consistent

definition of marketing ROI and tools to measure it. In measuring financial ROI, both the R and the I are uniformly measured in dollars. But measuring marketing benefits such as advertising impact aren't easily put into dollar returns.

LO5: Assignments and Activities

In-class small group participation exercise: Read the WestJet marketing plan in Appendix 2. If you were WestJet's marketing executives, which market opportunity would you recommend to the company that it pursue next year? Draft a one page proposal of your recommendation.

In-class small group participation exercise: Conduct a SWOT analysis, develop objectives, and create a marketing strategy for your school.

Individual research/writing assignment: Explain the role of a chief marketing officer (CMO). Summarize an article that describes the importance of this position, the characteristics of an effective CMO, or any issues surrounding this position. Note to instructor: Students' selection of articles will vary. One issue regarding the CMO position is that the average tenure of a CMO is just over two years, which has created some controversy surrounding this position. An important skill for CMOs is the ability to communicate the financial value of marketing to the others in the executive suite. Some interesting articles are listed below:

Rooney, Jennifer (2010), "For CMOs of the Future, Agility Is Key to Success," *Advertising Age*, (June 21), pp. 4, 31. This article discusses how today's CMO must be able to communicate the financial value of marketing the rest of the C-level suite.

Cata, Carlos (2008), "CMOs Stop Obsessing Over the Tenure Stat," *Advertising Age*, (May 19), p. 40. This article discusses the characteristics of an effective CMO: leadership, trust, intent, and results.

Rooney, Jennifer (2008), "Marty Hamlish Knows Why CMOs Don't Last," *Advertising Age*, (April 17), pp. 18–19. This article is an interview with the CMO of SAP, Marty Hamlish. He explains how the role of the CMO is to nurture, grow, and protect the organization's brands.

Kiley, David and Burt Helm (2007), "The Short Life of the Chief Marketing Officer," *BusinessWeek*, (December 12), pp. 63–65. This article discusses the tenure of CMOs and what it takes to be successful.

Court, David (2007), "The Evolving Role of the CMO," *McKinsey Quarterly*, pp. 28–39. This article discusses how the role of the CMO must broaden due to significant changes in the marketplace. The author notes that changing customer needs and behavior are the reasons for this shift in importance of the CMO.

Individual research/writing assignment: Marketers are increasingly held accountable for demonstrating marketing success. Research the various marketing metrics, in addition to those described in the chapter and Appendix 3, used by marketers to measure marketing performance. Write a brief report of your findings. Note to instructor: Students will learn in their research that there are numerous academic and trade articles outlining several marketing metrics. There are several resources on the Internet as well but students need to be aware that marketing metrics

encompass all areas of marketing, not just advertising or direct marketing that seem to come up high on search results. A comprehensive source on marketing metrics is Farris et al. (2006), *Marketing Metrics: 50+ Metrics Every Executive Should Master*, Pearson Education: Upper Saddle River, NJ, published as Wharton School Publishing.

WestJet Mini Case—Questions and Answers

- 1. WestJet's introduction of "Encore" represents an example of what form of growth strategy from the product/market expansion grid?**

Answer: Product development.

- 2. Go to www.westjet.com and create a list of airlines WestJet currently holds codeshare or interline agreements with. How do these partnerships enhance WestJet's value network?**

Answer: The list may change from time to time, so students must do the research to find the answers. In general, partnerships are a market growth strategy.

- 3. What specific threats would WestJet face if it were to begin flying to overseas markets in Europe, Asia, or South America?**

Answer: Increased direct competition from Air Canada.

Talk About Marketing—Questions and Answers

These questions can be used as the basis for in-class discussions, or can be turned into formal individual written assignments, group projects, or in-class group activities (research, then present findings). However you choose to use these questions, make sure to do at least a cursory check first to make sure that the products, brands, and websites mentioned in the questions still exist. Also, note that each question is designed to force the students to investigate and research a real marketing situation, and to either make a decision about what they would do in that situation, or to analyze why a given decision was made. Their answers will vary, but for every answer they give, follow up by making them give reasons for their decisions and opinions.

- 1. Explain why it is important for all departments of an organization—marketing, accounting, finance, operations management, human resources, and so on—to “think consumer.” Why is it important that even people who are not in marketing understand it?**

Answer: Each department is a link in the company's internal value chain that carries out value-creating activities to design, produce, market, deliver, and support the firm's products. The firm's success depends not only on how well each department performs its work, but also on how well the various departments coordinate their activities. A company's value chain is only as strong as its weakest link. Success depends on how well each department performs its work of adding customer value and on how well the activities of various departments are coordinated. Ideally then, a company's different functions should work in harmony to produce value for

consumers. Every department in an organization should “think consumer” to deliver value for the customer, so it is important for every employee to understand his or her role in creating customer value.

- 2. Imagine you are a team of marketing managers at a large consumer packaged-goods company, and you're planning the launch of a new line of shampoo. With which departments in your company will you need to work to plan the launch, and what role will each department play?**

Answer: Marketing is one department of a large company. The other major ones are: Human Resources, Finance/Accounting, Sales, Information Technology/Technical Support, Customer Service, and, depending on the type of company, Research & Development, and Production. Briefly describe why the marketing department needs each of these departments in order to successfully launch the new shampoo.

- 3. Discuss how TELUS might use the processes of market segmentation, market targeting, and market positioning. How is TELUS differentiated from its competitors?**

Answer: The students should investigate Telus's website to develop their answer in detail. The classroom discussion begins with a slogan they are familiar with: The Future is Friendly. As part of this analysis you can ask the students to compare the Telus brand to its low cost sub-brand named Koodo. Ask students to consider why Telus launched this brand and to link it to the concepts of segmentation, targeting and positioning.

- 4. In a small group, develop a SWOT analysis for a business in your community. From that analysis, recommend a marketing strategy and marketing mix for this business. Go to www.pg.com to learn about the brands offered by P&G. Select one product category in which P&G offers multiple brands. What is P&G's positioning for each brand in that product category? Then, visit a store and record the prices of each brand, using a common basis such as price per ounce. Write a brief report on what you learn. Are there meaningful positioning differences between the brands? Are any price differences you find justified?**

Answer: A **SWOT analysis** evaluates an organization's overall strengths (S), weaknesses (W), opportunities (O), and threats (T). Strengths include internal capabilities, resources, and positive situational factors that may help the company or organization to serve its customers and achieve its objectives. Weaknesses include internal limitations and negative situational factors that may interfere with the organization's performance. Opportunities are favourable factors or trends in the external environment that the organization may be able to exploit to its advantage. And threats are unfavourable external factors or trends that may present challenges to performance.

Students' responses will vary regarding the SWOT analysis of a local business.

Relevant strengths and weaknesses for a business include factors such as reputation, human resources, financial resources, loyal customers, and so on. Opportunities and threats involve changes in the demographic, economic, and technological environments. For example, a growing population is an opportunity, whereas a declining one is a threat.

P&G Part II: Students' responses will vary depending on the product category selected and store visited. Students can easily find the positioning of each brand from the company's Web site. For example, the positioning for each brand of P&G's laundry detergents is:

Cheer: "Dirt goes, color stays"

Dreft: "For a clean you can trust"—detergent for baby clothes Era: "Powerful laundry detergent that is tough on stains" Gain: "The smell says clean"

Ivory: "Mild cleansing"

Tide: "Knows fabrics best"

Prices for each brand will vary depending on the store visited but students will likely find differences in price per ounce. This should spark a lively debate about whether the brands themselves are really different.

Think Like a Marketing Manager—Questions and Answers

1. Which of Apple's products are its stars, cash cows, question marks, and dogs?

Answer: There are no right or wrong answers, but students should be forced to research Apple's website, rather than just coming up with answers off the top of their heads. There will always be new products — are those the Stars? Are Apple's Star products always their Star products, or do their Stars change? Does Apple have any Dogs? (All companies do, but they aren't necessarily easy to find.) This question appears superficially easy, but finding good answers requires research and critical analysis.

2. Which of the four market growth strategies in the product/market expansion grid have you observed Apple using?

Answer: Rather than just answer with one of the four growth strategies, have the students consider each of the four, and try to come up with examples for each. Again, this will require research, not only on Apple's website, but in the news of the last few years.

3. How does Apple employ the elements of the marketing mix—product, price, place (distribution), and promotion?

Answer: Don't let the students give superficial answers. Guide them to consider the strategy behind each of the four Ps. For example, if you were working in Apple's product development group, what do you think your managers are giving you as direction, in terms of product strategy? The prices of Apple products are not arrived at simply by calculating how much it costs to make them and adding a markup — why do you think the original iPhone cost \$500 U.S.? What was the strategy behind that pricing? Apple's distribution strategy is selective. What does that mean? Where can you buy Apple products? And what is the communications strategy behind Apple's various advertising campaigns?

4. The iPhone was available in the U.S. in June 2007, but was not available in Canada until a year later. Similarly, Apple released the iPad in the United States in April 2010 but international consumers, who were only able to pre-order the product on

May 10, were still faced with an “undetermined” launch date. What can you infer about Apple’s international growth strategy?

Encourage students to research the details of what happened before formulating their answer. They can search news websites, and search for old press releases on Apple’s and Rogers’s websites, or on Canada Newswire.

Marketing Ethics—Questions and Answers

The topic here is payday loans “stores.”

- 1. What are the current and emerging external factors (i.e., opportunities and threats) contributing to the growth of payday loan companies in Canada?**

Answer: Students answers will vary but inevitably there should be a discussion on the economic crisis that emerged in 2008 and led to great economic uncertainty and job losses in North America and beyond. The issues of technology-based obsolescence and globalization are also important factors to consider.

- 2. Visit www.apaydayloan.ca and answer the following questions: First, what are they offering consumers? Do you see any problems with the service they provide? Explain. Click on the online loan application link and calculate the cost of borrowing \$500 for one month. Do the cost of borrowing and the annualized interest rate surprise you? What are the implications for consumer debt in Canada? In your opinion, are payday loan companies offering a legitimate service to consumers or are they merely loan sharks in disguise?**

Answer: The answers to this question will vary depending on the current information available on the site. However, excessive interest rates and the implications to individuals that are already financially strapped should be evident to students. This can lead to a discussion of the dangers of high interest rates. This would be a good time to introduce students to the Rule of 72. (They can look it up online.)

Marketing Technology—Questions and Answers

- 1. Visit the Mobile Marketing Association’s Web site and click on “Resources” and then “MMA Member Case Studies” on the left. Discuss one case study and describe the factors you think made that application of mobile marketing a success.**

Answer: Student’s responses will vary. There are several case studies described and instructors might want to assign students different categories (such as automotive, B2B, consumer packaged goods, sports, and so on).

- 2. The rapid advance in mobile technology poses opportunities as well as threats for marketers. Discuss both the opportunities and threats for marketers.**

Answer: Many students will respond that the growth of mobile marketing is an opportunity for marketers. However, it could also be a threat if it is not well-received by consumers and

perceived as annoying. Most of the case studies illustrated in the previous question were probably successful because consumers responded to an invitation to participate in mobile marketing by texting something to the marketer or visiting the marketer's mobile site rather than the marketer sending the message or video to an unsuspecting and potentially unwilling consumer. This technological trend can also be considered a threat or an opportunity if a marketer's competitors adopt it. If it is successful for competitors, then it is a threat for the marketer that does not adopt it. However, if it is not successful for competitors and consumers do not respond positively, that poses an opportunity for marketers not adopting it. This technological change is an opportunity for mobile service providers, opening up the possibility of this medium becoming an important advertising revenue producer. The issue of measurement, however, may mitigate this opportunity. Finally, this trend is only an opportunity for marketers if the technology is easily adopted by marketers and consumers. For example, a company without a mobile Web site will not be successful with mobile marketing because consumers will not be able to interact with the company.

Marketing by the Numbers— Questions and Answers

1. Calculate the net marketing contribution (NMC) for this company.

Answer: Net marketing contribution (NMC) measures marketing profitability and includes only components of profitability that are controlled by marketing. It is calculated as:

$NMC = \text{net sales} - \text{cost of goods sold} - \text{marketing expenses}$ where,

$\text{marketing expenses} = \text{selling expenses} + \text{promotion expenses} + \text{marketing salaries}$

and

$\text{expenses} = \$70,000,000 + \$30,000,000 + \$10,000,000 = \$110,000,000$

so,

$NMC = \$800,000,000 - \$375,000,000 - \$110,000,000 = \$315,000,000$

2. Calculate both marketing return on sales (or marketing ROS) and marketing return on investment (or marketing ROI) as described in Appendix 3. Is this company doing well?

$\text{marketing ROS} = \text{net marketing contribution} / \text{net sales}$

$= \$315,000,000 / \$800,000,000 = 39.4\%$

$\text{marketing ROI} = \text{net marketing contribution} / \text{marketing expenses}$

$= \$315,000,000 / \$110,000,000 = 286\%$

Students' responses regarding whether or not this business is doing well will vary. These ratios should be compared to previous ratios for the company, competitors, and industry averages.

However, 39.4 percent marketing ROS and 286 percent marketing ROI are very good. In other words, each dollar invested in marketing is returning \$2.86 in net marketing contribution.

Video Case: Live Nation

Live Nation may not be a household name, but if you've been to a concert in the past few years, chances are you've purchased a Live Nation product. In fact, Live Nation has been the country's largest concert promoter for many years, promoting as many as 29 000 events annually. Through very savvy strategic planning, Live Nation is shaking up the structure of the music industry. A recent \$120 million deal with Madonna illustrates how this concert promoter is diving into other businesses as well. Under this deal, Live Nation will become Madonna's record label, concert promoter, ticket vendor, and merchandise agent. Similar deals have been reached with other performers such as Jay-Z and U2. However, contracting with artists is only part of the picture. Live Nation is partnering with other corporations as well. A venture with Citigroup will expand its reach to potential customers through a leveraging of database technologies. Joining forces with ticket reseller powerhouses such as StubHub will give Live Nation a position in the thriving business of secondary ticket sales.

The questions below require students to consider the role of strategic planning in an organization:

1. What is Live Nation's mission?
2. Based on the product/market expansion grid, provide support for the strategy that Live Nation is pursuing.
3. How does Live Nation's strategy provide better value for customers?

End-of-Chapter Case: Trap-Ease America

All questions are discussion questions, so students' answers will vary based on their opinion. To keep the discussion going, always ask a followup question; ask the student to explain their thinking; then ask the other students if they agree or disagree. Before beginning the discussion, you might have students do online research to find out what's happening with the company today.

This case is an excellent early case because it deals with a product and a need with which students are familiar. Further, as the discussion unfolds, students will have little trouble spotting some of the marketing problems and marketing concerns that the firm faces. Although cases can sometimes intimidate students early in the semester, this case should begin to give them some confidence that they can deal successfully with a marketing situation even though they do not have a lot of experience.

If instructors are interested in any field research, they might ask a group of students to check local retail and hardware stores to see what devices and methods are available for helping people deal with their mice and rat problems.

Teaching Objectives

This case was selected to accompany Chapter 2 because it does an excellent job of introducing the student to the concepts of the mission of the firm and the elements of a marketing strategy in a simple but rich case. The teaching objectives for this case are to:

1. Introduce the idea of a firm's "mission."
2. Introduce the basic elements of a marketing strategy.
3. Drive home the point that customers seldom beat a path to a firm's door.

Discussion Questions

- 1. Martha and the Trap-Ease America investors believe they face a once-in-a-lifetime opportunity. What information do they need to evaluate this opportunity? How do you think the group would write its mission statement? How would *you* write it?**

The case paints a very typical picture of a group of businesspeople who believe they have an outstanding product that will be readily accepted by the market. There is little evidence in the case that the investors have done any real thinking about customer needs or have followed the marketing concept as it is introduced in the chapter. The investors believe they have a mousetrap, which will satisfy customer needs, and, therefore, customers will buy it. Students need to realize that even though a firm may have an excellent product it needs to understand customers' needs and how they respond to those needs. There is no indication in the case that the investor group has any marketing information about its potential customers or has done any real marketing research. The investors would need to know the size of the mousetrap market in the United States. Who buys mousetraps? What kinds do they buy? What prices are charged for the various kinds of mousetraps? How are these mousetraps sold to consumers? What customer needs do existing mousetraps solve, and which needs do they fail to solve adequately? How do consumers deal with their mice and rat problems? Answers to these and other "marketing research" types of questions would give the investors a better feel for the challenges facing them in marketing the mousetrap.

Like many new, small businesses, however, the investors would write a mission statement that focused on making money for themselves. Their statement might be, "Make a lot of money by selling a patented mousetrap." Discussing this with the class will allow the instructor to raise the oft-repeated slogan, "maximize shareholder wealth." Proponents of the marketing concept might well argue that making money is not the goal of the firm. Rather, if one follows the marketing concept, the goal of the firm must be first to satisfy the firm's customers and to do that better than the competition. Only then does a firm have the opportunity to "make money." So students should suggest that if they were to write the mission statement, it would be more customer focused and identify how their product meets the needs and wants of their customers.

- 2. Has Martha identified the best target market for Trap-Ease? What other market segments might the firm target?**

The case indicates that Trap-Ease is targeting housewives, and implies that housewives are reluctant to set and bait traditional spring-loaded mousetraps. They also are concerned about the safety of children and pets that may be around the home because once the spring-loaded trap has

caught a mouse, one often has a mess resulting from its action. Besides being unpleasant, the mess presents health concerns due to the diseases that may be carried by mice.

There are a number of other market segments that the firm could target. The issue of disease control suggests several other potential targets. First, the instructor might ask students where disease control concerns would be important. Any business that handles or stores food and, therefore, is attractive to rats and mice would be a potential target. Restaurants should come to mind here, both because of the presence of food and food products and also because these establishments cannot use chemicals near food. This also should suggest food wholesalers or warehouses where large quantities of food may be stored in the channel of distribution. Food manufacturers also need rodent protection.

Another potential market is research laboratories. Here, researchers use large numbers of mice in research projects. It is not unreasonable to think that some of these mice occasionally get loose. A researcher would be interested in the ability to recapture a mouse without harming it—something that the researcher would be able to do with the Trap-Ease.

Another potential target market is exterminators. Because they must work in areas where chemicals would not be allowed and traditional traps would have the same messiness problem, these companies might be a target market. These exterminator companies might also sell the traps directly to consumers with whom they deal. This possibility will allow the instructor to talk about channels of distribution and the impact of Trap-Ease's decision to go directly to the end customer.

**3. How has the company positioned the Trap-Ease for the chosen target market?
Could it position the product in other ways?**

As suggested in the answer to question 2, Trap-Ease has been positioned from the point of view of the customer as meeting safety and cleanliness needs. Because of its pricing and distribution, Trap-Ease is positioned for use by the individual homeowner who has these concerns.

The major alternative positioning for the product focuses on its ability to control disease. Because the mouse would be trapped in a fully enclosed device and would be captured live, there is little opportunity for disease to spread as a result of its capture. It should be noted, however, that positioning the product this way would make substantial differences in the entire marketing strategy. This allows the instructor to make the point that will be reinforced throughout the semester that the full marketing mix must be coordinated to position the product properly in the customer's mind.

4. Describe the current marketing mix for Trap-Ease. Do you see any problems with this mix?

Product: As noted above, Trap-Ease is a patented mousetrap that is designed to allow consumers to avoid the safety and cleanliness problems associated with traditional mousetraps. Perhaps by this time in the discussion someone will have already suggested one of the obvious problems with this product. That is, what does one do with a live mouse caught inside the trap? The inventor had designed the product to capture the mouse alive and to suffocate it over a

period of several hours. This, however, presents a problem for the user. If the consumer discovers the trap has worked, she must pick up a trap containing a live mouse that may be squirming and squealing. Then, what does the consumer do with the mouse? It might be flushed down the toilet or let out in the woods, if one lives near woods. We might wonder, however, if the target market, housewives, will be comfortable carrying the trap containing the live mouse and then opening the door to let it out. Later market research revealed that few people felt comfortable in this situation. On the other hand, if the consumer allows the mouse to simply suffocate in the trap, he will find that mice, like most animals, do not die quietly. You can imagine the trap bouncing around under a sink like a large Mexican jumping bean as the mouse tries to free itself. Experience indicated that the mouse also made a lot of noise prior to suffocating. The targeted housewife may find herself presented with the dilemma of how to handle a live mouse or how to put up with the noise and unpleasantness of its suffocating. Thus, although the trap works well to catch a mouse, it fails to deal with the problem of what does one do with the mouse.

Price: The price of approximately \$1.25 per trap, when sold in packages of two, also creates a problem in that it is five to 10 times more expensive than traditional traps. This problem is complicated by the fact that if consumers have significant mouse problems, they would need a number of traps to address the problem. Or, if they decide to simply throw away traps that contain mice to solve the disposal problem, the cost could again become prohibitive.

Place: Martha House has made the decision to distribute the products directly to national chains. Although on one hand this decision makes sense given the company's desire to achieve rapid sales growth, it creates problems for the company due to its small size. As noted in the example, which concludes the case, the company does not have its own truck and distribution facilities. It must depend on outside firms to deliver its product. Because national chains have very strict time schedules, this makes it difficult for Trap-Ease to control its distribution.

Promotion: Trap-Ease is relying basically on appearances at trade shows and some limited advertising. In fact, it is relying on word-of-mouth. Primarily, the firm depends on point-of-purchase displays to sell its product. One might wonder, however, how quickly consumers passing point-of-purchase displays for the product will understand it. Further, the firm is dependent on whatever advertising the chains may do to generate end-customer awareness. Even early in the semester, students should understand that generating such awareness is extremely expensive and difficult. It is not clear that Trap-Ease has adequate resources to do significant advertising aimed at end customers, and it is not clear that the chains will devote sufficient resources to advertising the product.

All of these marketing mix problems should suggest that Trap-Ease has a number of significant hurdles to address if it is going to improve its performance.

5. Who is Trap-Ease America's competition?

Even though Trap-Ease has a patent on its mousetrap, it does have competition. Students may tend to think that a patent protects a firm from competition. Obviously, the traditional, spring-loaded trap is competition. Although the Trap-Ease trap has significant advantages, its price means that for many low-income consumers who probably have more mice problems, Trap-Ease

is too expensive. Consumers who have better incomes and who may not be excited about dealing with dead or live mice will probably simply turn to exterminators to take care of their problems. Although exterminators are more expensive, the benefits of having someone else take care of this unpleasant problem will be attractive to many consumers. Thus, Trap-Ease finds itself with competition both above and below its relative price. This competition significantly reduces the size of the target market.

6. How would you change Trap-Ease's marketing strategy? What kinds of control procedures would you establish for this strategy?

There are, of course, numerous possibilities that students might suggest. Many students will focus on trying to make specific changes to elements of the established marketing mix. For example, some students may suggest that by lowering price the Trap-Ease will become more competitive with traditional traps and be more attractive to consumers. Any attempt to manipulate the existing marketing mix, however, allows the instructor to make the point that the marketing mix should flow from the target market. At this time, having discussed previous questions, it should be clear to students that there is some question about the size and viability of the selected target market. In fact, there may not be a real market given the product's positioning—at least not a market that is big enough to support the firm and reach the investor's goals.

To revise the firm's marketing strategy, the firm needs to begin by thinking about its target market selection. First, the student could suggest that the product has been positioned improperly. Although health and cleanliness concerns are of interest to consumers, the other aspects of the marketing mix make the product unattractive. The disease control aspects of the product, however, are important. It would be possible to reposition the product for disease control purposes and to select the industrial/institutional target market. Thus, the target market would become food manufacturers, wholesalers, and others who store quantities of food that are subject to rat infestation and also restaurants and other institutions, where food may be handled and where poisons and other rat control measures are inappropriate.

With respect to the marketing for this new target market, the firm needs to develop larger sizes of the trap. Some of the potential customers will have larger rats with which to deal. These firms will often have maintenance employees who will not be squeamish about dealing with and disposing of rats that are caught in such traps.

With respect to price for this new strategy, there is really no information in the case to allow the instructor to figure what the price might be. We can imagine that, in connection with the place decision, the firm might decide to deal directly with larger exterminating companies or food wholesaling chains. The company will probably find itself in a negotiation situation as it has with the large retail chains. This will make it important that the firm understand its costs and be able to figure what prices it can agree to that will allow it to make an adequate profit.

With respect to place, the firm will be required to continue to sell to a limited number of customers due to the lack of any real sales force. This would imply that it will have to sell to food wholesalers or exterminating companies themselves unless it can find a distributor who caters to these kinds of operations. Looking for distributors who could handle some or all of the

sales effort would be appropriate given the firm's limited resources. This may put additional pressures on margins, but the firm will have to evaluate accepting smaller margins versus absorbing the cost of improving its own distribution system.

The new strategy would continue to imply a trade promotion strategy. Appearing at trade shows for food wholesalers or exterminators would be a first step, and one with which the firm is familiar. This strategy avoids the necessity for having to pursue expensive media options for developing end-customer retail demand. Advertising in trade magazines should help bring the product to the attention of targeted customers. Further, if the firm is successful in selling to exterminators, they will become its sales force.

As to control procedures, the process of revising the marketing strategy allows one to ask the students how they will monitor their progress. In the case, Martha has no connection with the end-customer. She is dealing with buyers for the large retail chains. She is not sure who is buying the mousetrap or why or how they are using it. A first control procedure for any strategy then is to identify the target market and establish mechanisms to monitor the target's use of and satisfaction with the product. Chapter 4 will introduce students to techniques, which might be used by Trap-Ease to evaluate the success of the strategy.

More Ideas for In-class Activities and Assignments Based on Chapter 2

Individual Writing Assignments

Develop a strategy for attracting new students to your college or university. Write a statement that describes your college/university's fit between the goal of attracting the best students and their capabilities for then educating those students.

Pick a company or brand from which you buy frequently. Visit their website and find the portfolio of products/services they sell. Pretend you are the company CEO. Categorize the products into logical groupings that will become your strategic business units (SBUs). Using your best judgment, allocate resources, using percentages, not dollar amounts, to each SBU (make sure the total comes to 100 percent).

Examine Rachael Ray's website. Consider the market for television cooking programs. Who do you believe Rachel Ray is targeting? How is Rachael Ray and her shows differentiated in the marketplace as a "product?"

Get the current issue of *Fortune* magazine; most university libraries carry it. Read the cover story and define the 4 Ps of one of the company's products mentioned. Then define the 4 Cs of the same product. Are there differences?

Mini Case Analysis: Apple's Marketing Strategy for the iPad

Have students research the launch and subsequent milestones in development of the iPad, up to the present day. Once they have a basic timeline of events established, they should answer the following questions:

1. What is Apple's mission statement? How does this apply to the iPad?

2. How do you think Apple describes the target market for the iPad? Is there more than one target market segment? If so, describe each segment.
3. What are Apple's SBUs? Which SBU does the iPad belong to?

Mini Case Analysis: Google's Nexus One smartphone

Google's Nexus One smartphone hit the market in early 2010 and died a marketing death shortly afterwards. The phone carried Google's brand and was powered by the Google Android operating system, which was found on other manufacturers' phones—and which survives today. With the Nexus One, Google made several mistakes. First, in an effort to get products to market faster and make more money through direct sales, Google tried to change the way wireless phones are distributed. Rather than the typical carrier distribution model (buying a phone through Bell, TELUS, or another wireless provider), it used a web-based sales model. The only way to buy a Nexus One was through Google's website. Looking back, notes one executive, Google would probably have sold more phones through the traditional carrier network. To make matters worse, Google invested little in advertising for the Nexus One. And it was ill-equipped to handle customer service queries, attempting at first to handle them through email instead of offering dedicated customer service support. Finally, analysts said that the phone wasn't much better than other Android phones already on the market. No wonder the Nexus One failed. However, although Google discontinued the phone, its Android operating system remains strong, powering 27 percent of all smart phones, ahead of second-place Apple's 23 percent.

Research the Nexus One and write a case report that addresses the following questions:

Q: Name and describe the four product and market expansion grid strategies and explain which strategy Google implemented with the Nexus One.

A: The four product/market expansion strategies are market penetration, market development, product development, and diversification. Market penetration involves making more sales without changing the original product. This can be achieved through marketing mix improvements, such as adjustments to its product design, advertising, pricing, and distribution efforts. Market development strategy involves identifying and developing new markets for its current products. New markets could be new geographic markets or other markets defined by demographics, lifestyle, or product use. Management could consider product development by offering modified or new products to current markets. Finally, a company may consider diversification by starting up or buying businesses outside of its current products and markets. In this strategy, the marketer offers an entirely different product to a completely different market than currently served. Google's expansion into smartphone hardware is a new product offering for the company whose original product is an Internet search engine. Some students might argue that this is a product development strategy because the company offered a new product to current markets (it already serves smartphone users for their search needs). However, others might argue that this is diversification because Google expanded into the telecommunications market, not just Internet search. Which argument is "correct" really depends on how the market is defined.

Q: Discuss the marketing strategy and tactical mistakes Google made when introducing the Nexus One.

A: Google may have overestimated its strength and the opportunities. Although Google is the leader in Internet search software and the Google brand is very strong, it did not have any experience in hardware offerings. Seeing an opportunity in direct sales may have been misguided as most consumers want to walk into a retailer and purchase a phone they can feel and take home right away instead of waiting for it to be delivered. Google also didn't promote the product adequately or provide the level of support necessary for a high-tech product such as a smartphone. Finally, Google did not differentiate the Nexus One from competitive offerings that used its own Android operating system. It appears as if Google assumed that the strength of its brand name would be enough to create product success.

Small Group Assignments

Research NASCAR and (a) Describe NASCAR's secret for their incredible growth; (b) Discuss NASCAR's multi-venue promotions used to deliver the NASCAR experience; (c) A big part of the NASCAR experience is the feeling that the sport, itself, is personally accessible. How does NASCAR accomplish this?

The marketing mix is the set of controllable, tactical marketing tools the firm blends to produce the responses it wants from the target market. These marketing tools can all be collected into four sets of variables known as the "four Ps." Consider Air Canada. Briefly describe the "four Ps" as they are utilized by Air Canada.

Business Today Video

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