IMC's Role in the Marketing Plan 2

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Learning Objectives

Upon completing this chapter the student will be able to:

- Outline and explain the marketing management flow chart.
- State the difference between a company's mission and vision.
- Describe the purpose of a situational analysis.
- Summarize the concepts related to market opportunity analysis, target market, and objectives.
- Describe the components of a marketing strategy.
- Explain marketing tactics, the marketing program, and how companies evaluate and control marketing plans.
- Describe the influence of laws and ethics on marketing planning.

Pre-Test

1. What areas are NOT within the control of the marketing manager?
   a) the economic, social, legal, and technical environments
   b) the external environment and evaluation and control of the marketing program
   c) development of marketing objectives, marketing strategies, and tactical executions
   d) research-based market segmentation and the economic environment
2. Which of the following is true about good mission statements?
   a) They explain what value the product provides for the customer.
   b) They explain the organization's purpose and current business approach.
   c) They describe where the organization sees itself going over the next few years.
   d) They are able to cover numerous concepts in a single long statement.
3. New government regulations that require a product's ingredients to be changed are an example of which kind of environmental force?
   a) global environment
   b) task/mediating environment
   c) macroenvironment
   d) intraorganization environment
4. Understanding what competitors are currently doing to market products, and what they may do in the future, is a key part of the
   a) situational analysis.
   b) market response elasticity.
   c) marketing objectives.
   d) market opportunity analysis.
5. Which of the following is NOT true about marketing strategy?
   a) The company mission and vision are important to understand and use in marketing strategy.
   b) Most companies incorporate more than one marketing strategy.
   c) A good strategy looks at the company's existing strengths and uses those to improve marketing performance.
   d) Marketing strategy development occurs first, followed by creation of objectives.
6. To make sure any planning problems are corrected right away, each step of an effective marketing plan should include which of the following.
   a) Marketing is one of the few functions of business that consumers actually see.
   b) Marketing plans are very often flawed, so careful oversight is needed.
   c) When marketing plans are effective, managers do not need to have control over each function.
   d) Effective marketing plans ensure that the target market will always respond as desired.

7. A company involved in interstate commerce is subject to
   a) state laws only.
   b) local, state, and national laws.
   c) national and international laws.
   d) local, state, national, and international laws.

Answers

1. a) the economic, social, legal, and technical environments. The correct answer can be found in Section 2.1
2. b) They explain the organization's purpose and current business approach. The correct answer can be found in Section 2.2
3. c) macroenvironment. The correct answer can be found in Section 2.3
4. d) market opportunity analysis. The correct answer can be found in Section 2.4
5. d) Marketing strategy development occurs first, followed by creation of objectives. The correct answer can be found in Section 2.5
6. a) Marketing is one of the few functions of business that consumers actually see. The correct answer can be found in Section 2.6
7. b) local, state, and national laws. The correct answer can be found in Section 2.7

Introduction

For the 2011 Christmas holiday season, Toys"R"Us took advantage of excess retail space in United States malls by erecting hundreds of Toys"R"Us pop-up stores. A **pop-up store** is a temporary retail outlet or store and is typically opened during a holiday or special event. By 2011, weak economic conditions drove many companies out of business, creating many mall vacancies. The Toys"R"Us pop-up stores are approximately 4,000 square feet and feature the most popular toys, but do not carry larger items such as bikes (Toys "R" Us plans 600 holiday-season pop-up shops, 2010).

In the previous chapter we examined the new paradigm in marketing and marketing communications. Because of changes underway in the marketing environment, marketers need to plan for upcoming seasons. Toys"R"Us recognized an opportunity and acted on it. Pop-up stores are very effective in opening another channel from which consumers may buy products and services. Other companies noted the opportunity and jumped on the trend. In 2011, eBay™ opened a pop-up store in London, where it sold popular items such as perfume, cameras, and smartphones. Google also used the pop-up concept (Gosling, 2012), called "Chrome Zone," to acquaint the public with Google Chromebook, the company's laptop with Internet-based applications and software.

Samsung and Google

This video shows how Samsung teamed up with Google to open a pop-up store in New York City:

http://www.youtube.com/watch?v=xQQr18pz7rI

Marketing decisions are not made without a significant amount of planning. Typically planning will take place months or even a year prior to the launch of a campaign. Marketing communicators need to understand the mission, vision, and marketing plan for the product or service launch in order to develop an integrated marketing communications plan that is consistent with the marketing plan for a company or organization.

As the marketing and marketing communication fields become closely related, the marketer's activities entwine with those of the communicators. Keep in mind that all marketing communication tactics communicate. The problem is that other marketing mix variables such as price, channels of distribution, and the product also communicate. Can you imagine an advertisement for an Armani suit that sells for $199 at Sears? The message to the consumer is confusing. Consumers may be thinking that this is a top brand and can't possibly cost so little. Why is it being marketed at Sears? Why is the price so low? What's wrong with the product? Confusion in the consumer's mind is the outcome of not integrating marketing with marketing communication.

To understand IMC one must understand where IMC fits with marketing. In this chapter, the necessary information required to develop an effective marketing plan is provided. The plan will then be used to develop the overall integrated marketing plan.

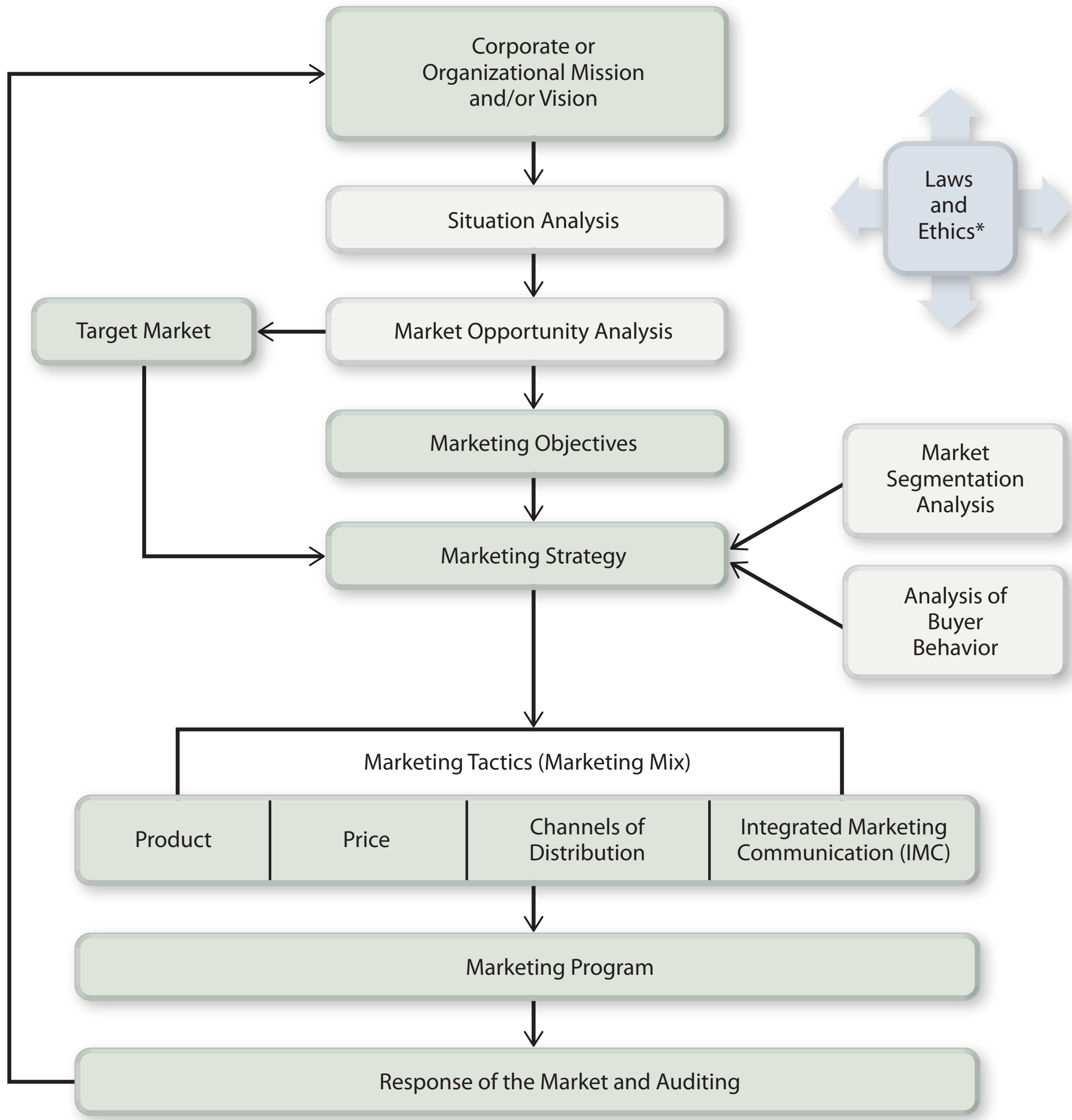
2.1 The Marketing Management Flow Chart

Almost all businesses develop plans for their marketing programs. Without planning, businesses lose potential revenue and have unproductive time. There are no standard or perfect plans that exist for the development of a marketing program. There are models however, that offer direction. Companies may create marketing plans for the company, business unit, product, or event.

A marketing plan is broken down into several interrelated sections. As such the marketing manager must wear many hats in order to develop an effective marketing plan that includes well thought out and integrated tactical executions. Think of the marketing manager as a juggler trying to keep many balls in the air at once. The head of the marketing program is charged with the responsibility of the development of marketing objectives, marketing strategies, research-based market segmentation, tactical executions, and the evaluation and control of the entire marketing program.

To better illustrate the components and interrelationships of a marketing plan, a flow chart was developed (TDOG, 1998). The flow chart, illustrated in Figure 2.1, shows the big picture of marketing and is used as a planning aid for managers. The arrows indicate the direction of the flow of information. Information in one area is used in the development of connecting boxes. The external environment depicted in the chart represents areas that are not under the control of the marketing manager (technical, legal, economic, social). Although the flow chart appears linear, in practice decisions are often not made consecutively. They may be made simultaneously and often not in the recommended order. Table 2.1 summarizes the areas in the flow chart, which are explained in the next sections. We will examine these areas throughout this chapter and book.

Figure 2.1: The marketing management flow chart



*Evaluation and Control—Occurs at all stages

Table 2.1 summarizes each section of the marketing management flow chart (MMFC).

Table 2.1: Summary description of the marketing management flow chart components

Area	Description
Corporate or Organizational Mission and Vision Statements	The mission statement declares the purpose of the business. The vision statement articulates where the organization sees the operation going over the next several years.
Situation Analysis	This is a summary of the company's past and current situation. Categories such as company history, competitors, and industry are included.
Market Opportunity Analysis	The purpose of the market opportunity analysis (MOA) is to determine potential markets for a company to pursue. These data are used to recommend actions for the company to best exploit market opportunities.
Target Market	Identification of the people that the company will pursue with the marketing efforts.
Marketing Objectives	Assesses the effectiveness of a marketing plan through the development of metrics or performance measures.
Marketing Strategy	Provides the big picture and overall direction that will be used to achieve the marketing objectives.
Market Segmentation Analysis	Depending on the goals and budget of a company, out of the targeted market, marketers create smaller, homogeneous categories or groups of consumers. These are called market segments. A separate communication program is required for each segment identified.
Analysis of Buyer Behavior	Companies must analyze buyer behavior in order to best serve wants and needs.
Marketing Tactics (Marketing Mix)	Elements of the marketing mix that are under control of the marketing manager. Includes product, price, channels of distribution, and integrated marketing communication (IMC).
Marketing Program	Combination of all the pieces of the marketing plan. Includes budget and schedule.
Response of the Market and Auditing	The company measures the response of its target market to the marketing efforts. Surveys, online blogs, and other methods of feedback are developed and monitored. Sometimes a company performs a marketing audit, which is a comprehensive evaluation of the marketing plan.
Evaluation and Control	Evaluation and control of the IMC plan occurs at all stages and is important for maximum return and effectiveness. Managers determine how and when changes should be made and how to control problems that occur during execution of the plan.
Laws and Ethics	Laws and ethics should guide all decisions in the development of a marketing plan.
External Environment	The external environment includes anything not under the control of company managers such as the economy, political climate, competition, and natural disasters.

Learning Check

Reflect on your learning by answering the following questions:

1. How does the marketing management flow chart help people understand the components of a marketing plan?After examining the flow chart, where does integrated marketing communication belong?
2. Which aspect of the flow chart do you think is the most difficult to develop? Why?

2.2 The Corporate Mission and Vision

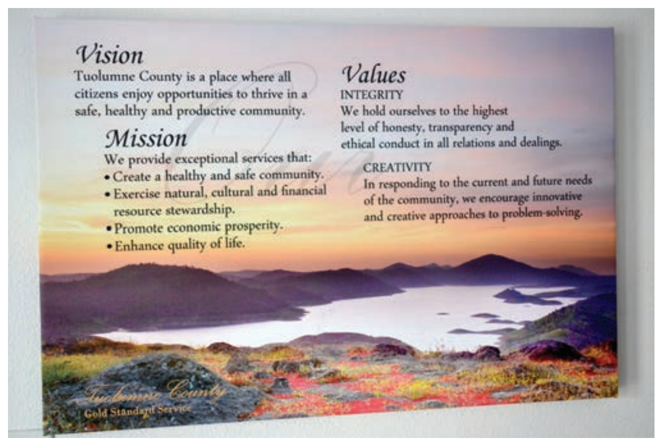
The corporate mission and vision statements set the direction for the planning that follows. Combined, these statements set forth the purpose, goals, and direction for the company.

Mission Statement

The first step in developing a marketing program is to write or review the mission statement. In order for a business to operate profitably, it must know its reason for existence. The statement that describes the purpose of the organization is called the **mission statement**. This statement is shared with employees, customers, and other stakeholders. Gamble and Thompson (2013) point out that a good mission statement captures the organization's current approach to business and specifies "who we are, what we do, and why we are here" (p. 26). A large toy retailer, for example, may have the mission statement "we are the world's largest retailer of toys while returning an investment to our stockholders." When creating a mission statement, avoid lengthy statements and focus on one major concept. A mission statement may also include a series of corporate objectives or issues facing the organization.

Vision Statement

Companies also develop vision statements. The **vision statement** articulates where the company sees the operation going over the next several years. While a mission statement is grounded in the present, the vision statement is geared toward the future. The organization's vision provides direction to the organization. It explains what type of corporate citizen the organization wants to be. It highlights goals and objectives in a general manner, and provides a touchstone for difficult marketing decisions. Perhaps the greatest asset of the vision is the ability to generate integration and synergy as all employees know in which direction they should be aiming. While most companies have mission statements, not all companies have vision statements.



▲ If corporate mission and vision statements set the direction for marketing, what purpose would they serve for a small government?

It is not uncommon for a company to include a statement of core values within the mission and vision statements. **Core values** are principles that help to define how a company will behave when running the business.

An organization's core values are typically expressed in what is called a **value statement** or **value proposition**. A value statement explains in consumer language exactly what the product does for the consumer. In other words, what value does the product or service provide the consumer? The value statement would include the target market, product or service benefits, and the product or service's price points (if that's a competitive advantage). During the development of the marketing strategy, this value proposition is turned into a positioning statement that includes the unique selling proposition of the product. A **unique selling proposition**, or USP, is simply a statement of what a company's product or service has that no competing brand has. In other words, it's the top differentiator of the brand.

❯ *Learning Check*

Reflect on your learning by answering the following questions:

1. What is the difference between a mission and vision statement?
2. Why do companies make their mission, vision, and core values public?
3. What is a value proposition?
4. Why do you think some companies do not have a mission statement?

2.3 The Situation Analysis

The next component in the marketing management flow chart is the situation analysis. The **situation analysis** component of the marketing plan contains the history of the company or organization as well as the current company situation. Information from the situation analysis should be placed in a database to allow managers quick access to important information and data. A good situational analysis should address the company's current position in the marketplace and how the company got there. It should include a thorough history of the company including, but not limited to, data and information on product offerings (current, future, and past), sales volumes, markets served, a competitive analysis, and the environments in which the company operates (e.g., legal, political, social, technological, economic, natural, and others).

One of the main parts of the situational analysis should be the development for the process of environmental scanning. **Environmental scanning** is the acquisition and use of information to assist in the management and planning of future actions (Aguilar, 1967). The marketing needs to pay particular attention to any external environment that could potentially affect operations. These environments may include social, legal, physical, economic, competitive, political, or technological environments. Many companies pay particular attention to the competitive environment, because competition is a driving force behind environmental change.

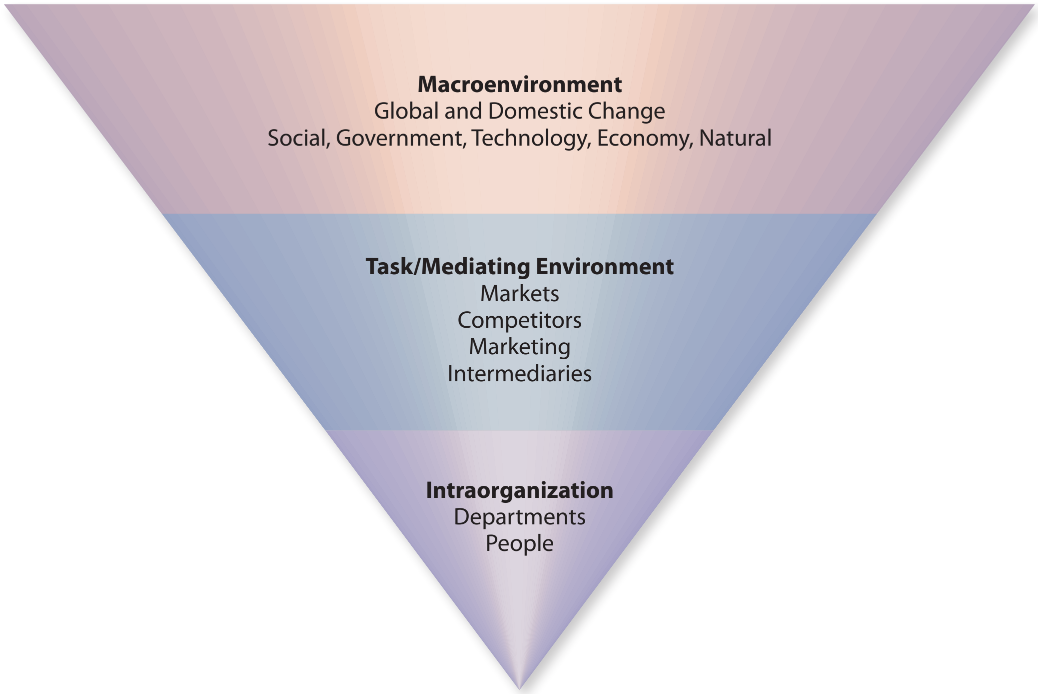
Figure 2.2 illustrates the types of environments that need to be considered in the process of environmental scanning. Environmental forces come from outside the organization (macroenvironment), the task being completed (task/mediating environment), and within the organization (intraorganization environment).

To scan these important environments, the marketing manager needs to develop a system. The following five-step process is useful in developing a system for environmental scanning:

1. Identify all relevant environments.
2. Look for relevant changes in these environments.
3. Understand and evaluate these changes in terms of their nature, direction, and magnitude.
4. Analyze and forecast the impact and timing of the changes; assess the potential consequences of the changes.
5. Create responses to the environmental changes through changes in strategy.

A marketing manager for a toy company may identify economic, legal, and global environments as most important to the company (step 1). The marketing manager can look for information about environmental changes in newspapers, reports, magazines, the business press, the trade press, trade associations, conferences, trade shows, the Internet, or other secondary sources (step 2). The

Figure 2.2 Environmental scanning



Case in Point: Bottle Bills and Environmental Scanning

Prior to World War II, the beverage industry required deposits on beverage containers so that glass bottles would be returned. The bottles were then washed, refilled, and resold. After World War II, cans replaced bottles, first in the beer industry. With the advent of the 1960s, the soft-drink industry followed with "no-deposit, no-return" bottles and cans. Because beverage companies were no longer reusing cans and bottles, a marked increase in litter resulted. Consequently, environmentalists proposed bottle bills in their state legislatures. Bottle bills placed a mandatory refundable deposit on beer and soft-drink containers.

In 1970, British Columbia enacted the first beverage container recovery system in North America. In 1971, Oregon was the first state in the United States to pass a bottle bill requiring deposits on beer and soft-drink containers. As of 2013, ten states and most Canadian provinces have some type of bottle law (Bottle bill resource guide, 2013).

To continue to do business in the U.S. states that passed bottle bills, beverage retailers set up systems that would allow for the most cost-efficient method of handling the returned bottles and cans. The retailers developed accounting systems for the cans and bottles. Suppliers and retailers developed physical logistical systems for handling the returned product. In addition, new price points were developed to take into account additional costs for the systems' development.

Reflection Questions

1. What if you were a manager at a beverage distributor and wanted to sell in one of the states that have enacted deposit bills. What would you do to make sure your company does not lose market share?
2. What are the benefits of environmental scanning in the scenario presented in question 1?

overall idea governing environmental scanning is to identify any environment that may affect the company and then forecast the impact of that environmental change. Perhaps the manager reads a government report that many toys produced in China contain lead, which is harmful to a child's development (step 3). The manager informs the production department and an investigation is launched to determine if any of the company's products contain lead. Upon discovering that the company sells a toy that contains lead, the production department can stop importing the toy from China and the marketing manager can assess the potential impact (step 4) and develop a plan to communicate with customers about the situation and what is being done to correct the problem (step 5). This scenario occurred in 2007 when lead paint was discovered in Thomas and Friends™ wooden toy train sets (Lipton and Barboza, 2007). The sets were painted in China. The company had to recall the toys and prepare marketing communication messages to inform customers and assure them that the problem was addressed. The successful marketing manager can integrate changes into any plans being developed and create responses to the changes. Thus, the company can take a proactive approach to solving problems.

Within the situational analysis, marketers often undertake demand analysis and forecasting to try and get an understanding of what will potentially happen within the marketing environments in regard to a firm's service and product offerings.

› *Learning Check*

Reflect on your learning by answering the following questions:

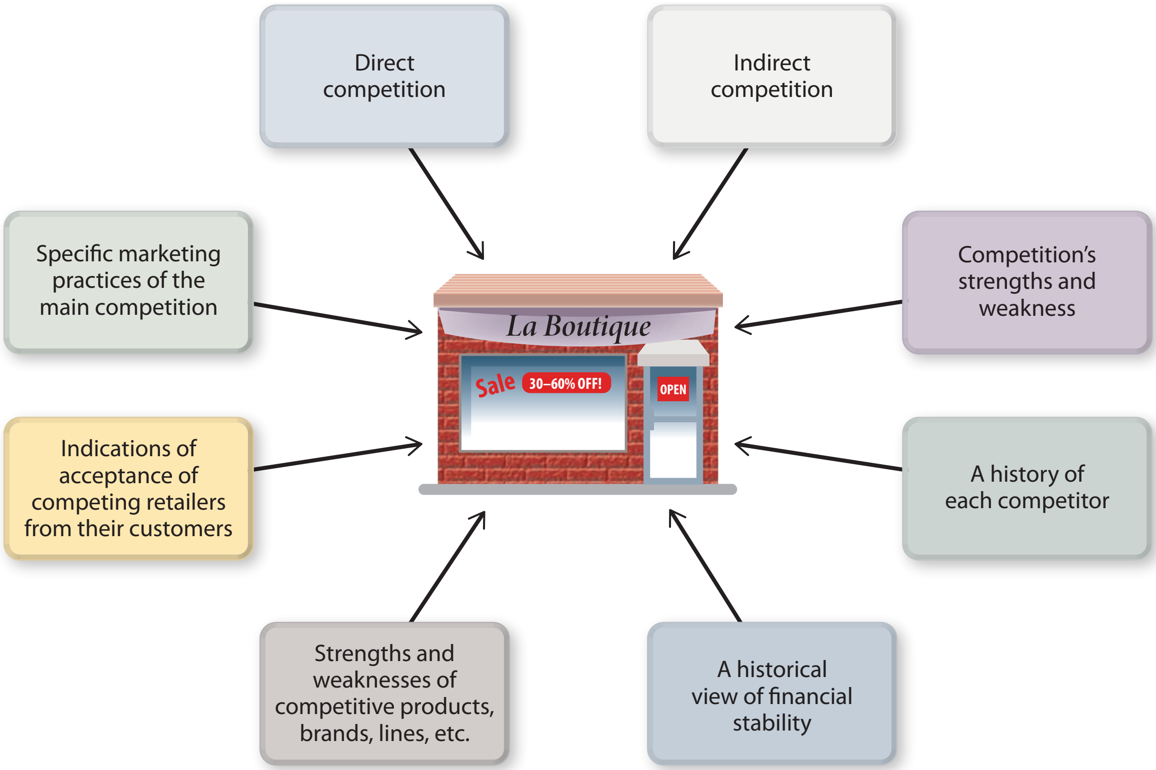
1. What is the purpose of a situation analysis?
2. Why is environmental scanning so important?
3. What do you think the implications are for a company that does a poor job of environmental scanning?

2.4 Market Opportunity Analysis, Target Market, and Marketing Objectives

Once a situation analysis is complete, the organization can move to the next step in the flow chart which is the market opportunity analysis (MOA). The **market opportunity analysis** helps the marketing team understand the market and identify opportunities that would enable the company to make a profit. In analyzing the market opportunity, one needs to understand the competition in the market (which is analyzed in the situation analysis) and what types of marketing actions the competition is currently doing or may undertake in the future. Every time competitors make changes to their marketing program it has an effect on other competitors. Figure 2.3 shows the areas in a competitive analysis.

In addition to understanding the marketing actions of competitors and other firms, marketers also need to know the size of the potential markets in which they wish to compete. The **market size** is the amount of revenues or sales that emanate, or flow, from a market. Managers want to make sure that a potential market will be lucrative enough to pursue. Revenue flows can measure the volume of product and service that markets will demand. It may also be useful to measure unit sales flows for products and services within that market.

Figure 2.3 Areas to include in a competitive analysis



Finally, in assessing MOA, one needs to understand the requirements specific that markets have in regard to products and services. For example, many customers are willing to pay higher prices for convenience in a given market, yet others demand value for the dollars that they spend. Many other markets require information about products and services such as product use information, product benefits, price, services offered, and other value-added variables.

As is done in the situation analysis, marketers often engage in demand analysis and forecasting to quantify potential sales and revenues that the market will generate. These forecasts are useful in deciding which markets to enter and exploit. For example, the following formula may be used to determine the size of a market:

$$\text{Market size} = \begin{array}{l}\text{number of buyers in the market} \times \text{quantity purchased by} \\ \text{an average buyer per year} \times \text{price or a unit (product)}\end{array}$$

For example, if there are 50 million people in a given region but only 1 million people will buy a product, the marketing manager has to estimate how much an average buyer will spend per year on that product. That figure is multiplied by the price of the unit to determine how many sales will be generated in a given year. If incorrect assumptions are made, then the projection will be incorrect.

Marketers identify opportunities by conducting environmental scanning, keeping up with trends, and listening to customers. For example, an investment company, upon analyzing changes in population, discovered that the population of a city had doubled in one year. This may present an opportunity to open a new business.

By understanding the markets available, marketers are better able to profit from those markets by utilizing effective marketing tactics that can meet or exceed the needs and wants of a given market. Thus, market opportunity analysis should be a process that identifies the best available markets with the opportunities that best match the organization's capabilities.

Target Market

One of the most useful things about developing and executing an MOA is that it helps the marketer identify and understand the target market (TM). The **target market** is any given group of current or potential customers toward whom the firm aims its marketing efforts. A useful target market should have the following characteristics:

1. Be composed of people willing to buy the product
2. Be composed of people who have the ability to buy the product
3. Have a sufficient number of people in the market to generate profits

© Lucas Jackson/Reuters/Corbis

▲ Retailers that provide substandard service to customers run the risk of having that negative experience shared with others. Here, protestors picket outside of Barney's New York in response to reports that the luxury retailer racially profiled customers.

Willingness to buy refers to the desire to purchase from a company and is influenced by the consumer's positive or negative perception of the company. A consumer who has had an unpleasant experience with a business may choose not to shop at that establishment again. In addition, the disgruntled consumer may relate the story to others, thus discouraging potential customers from doing business with the company. This is why superior customer service is important for companies. The integration of excellent customer service into the overall marketing plan, and particularly into the development of a target market and market segments, is essential. Customers who have no experience with the business and no prior perceptions about the firm may be excellent prospects as a company's target market.

The ability to buy means the consumer must have adequate cash or credit to make the purchase. Most people wouldn't qualify as a member of the Rolls Royce® target market, simply because they do not have enough discretionary income during their lifetime to purchase a vehicle in the Rolls Royce price range. Adequate money or credit to make a purchase is an important factor in assessing the market's ability to purchase, but the company may also want to look for other things that may hamper a consumer's ability to buy. For instance, there are minimum age requirements to buy cigarettes or liquor. Similarly, many insurance providers will not offer certain customers car insurance, based on their driving records. The more accidents and moving-traffic citations a person has, the less likely the person will be able to purchase insurance from a preferred carrier. Many life insurance companies may refuse to sell life insurance to someone who has a short potential lifespan due to disease.

Having a sufficient number of people in the market is necessary for the company to reach revenue and profit goals. This is why forecasting demand is very important. Companies who don't accurately predict the size of the market may not sell enough product or may not have enough product to sell.

Case in Point: Hertz® Rental Car Company

Hertz® is the largest worldwide airport general-use car rental brand. They have 8,800 corporate and licensee locations in about 150 countries. The Hertz brands include Hertz, Dollar, and Thrifty (www.hertz.com). The minimum age requirement to rent most of the vehicles is 25. Some locations have an "age differential" that allows people 20–24 years old to rent. Visit the Hertz website (www.hertz.com) and locate the requirements to rent a car from Hertz.

PRNewsFoto/Dollar Thrifty Automotive Group, Inc.

Reflection Questions

1. How did Hertz develop the description of its target market?
2. Why does Hertz have a 25-year-old age requirement?
3. Why do you think Hertz instituted an "age differential" allowance for some locations?

Once the target market has been identified, members of the marketing department need to analyze the TM to see if there are any differences in the ways customers respond to marketing. This is called **market response elasticity**. If there are differences in the way the customers respond, the marketers will then attempt to create market segments that identify the differences in customer response. This is the process of market segmentation analysis. This topic will be discussed in detail later in the chapter.

Marketing Objectives

At the same time that marketers are developing the target market and analyzing the market to see if it needs to be segmented, they are developing marketing objectives. **Marketing objectives** are specific goals a marketing manager wants to reach with the marketing program. For example, an objective related to sales may be, *to increase sales of product × by 3% in 12 months*. An objective related to communication may be, *to increase the number of times product × is mentioned in online and trade publications from 5,500 times a year to 7,000 times a year.*

There will be objectives for all areas of the marketing program including segmentation and strategy, but most are concerned with the outcomes of the entire marketing program. Because of this, objectives generally concentrate on the marketing executions.

As the objectives provide direction to the IMC planner, the planner must develop objectives based upon certain criteria. The following list may be used as a guide when developing objectives.

1. Make objectives quantifiable. Many IMC planners make the mistake of creating "general" objectives, but when they get to the evaluation portion of their plan, they find they can't actually measure the plan's effectiveness. Quantify the objectives and make them measurable.
2. Make objectives specific. In other words, identify the target audience and target market. Use the five "Ws" of who, when, why, what, and where!

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▲ Strong objectives fulfill the SMART guideline.

3. Make objectives realistic. A mistake often made by planners is to create objectives that can never be achieved. Unrealistic objectives have a negative effect on personnel. If an objective can't be reached, people know this and quit working on it. They know no matter how hard they work they cannot achieve the objective. On the other side of the coin, if the objectives are easy to achieve, employees are not as productive as they can be.
4. Create clear and understandable objectives. Employees must know exactly what is expected of them.
5. Finally, integrate all objectives into the IMC plan. Every portion of the plan must be developed to reach the same end goal.

The SMART acronym helps students remember how to develop a strong objective. The acronym stands for Specific, Measurable, Attainable, Relevant, and Time-bound.

› *Learning Check*

Reflect on your learning by answering the following questions:

1. What is the outcome of conducting a market opportunity analysis?
2. Define target market and list the requirements of a useful target market.
3. Why are SMART objectives necessary?
4. Why do you think some companies miss out on opportunities?

2.5 Marketing Strategy, Segmentation Analysis, and Analysis of Buyer Behavior

Important activities for the marketing manager are developing strategies and analyzing customers in more detail. In this section, we look at how companies develop strategy and we look at types of strategies. Also covered is how segmentation analysis breaks down a market to better reach groups of customers. Finally, the five-step decision-making process that customers go through is discussed. By understanding the customer decision process, companies can better meet their customer's needs.

Marketing Strategy

After the development of objectives comes the development of marketing strategy. As stated in the first chapter, one of the most difficult areas for new students of marketing to understand is the development of a marketing strategy. The marketing strategy provides the total directional thrust for all of the marketing activities. Strategies take high-level thinking and marketers need to consider the information from the situational analysis and market opportunity analysis. As the marketing management flow chart shows, marketing strategy is developed by examining these areas as well as the target market, analysis of buyer behavior, and information from the market segmentation analysis.

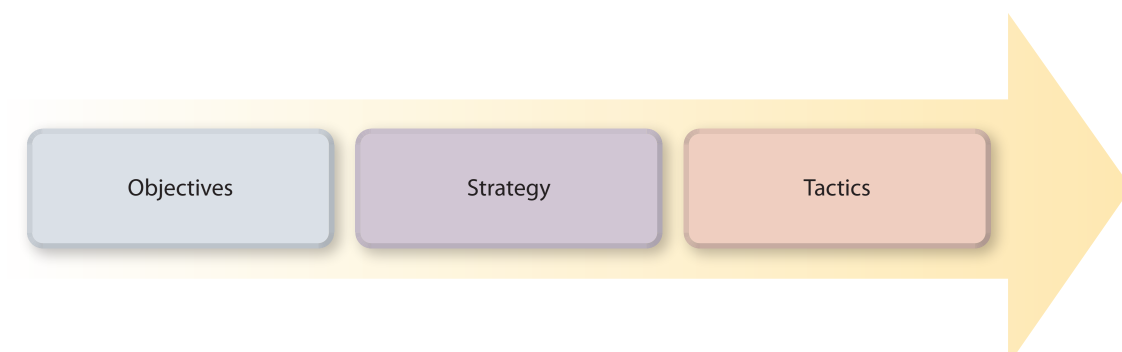
Although each of the marketing mix variables has a strategy, or strategies, associated with it, the marketing strategy is an overall strategy that impacts the entire program. Marketers use the term strategy in many different ways, but there are core components necessary for the development of an effective strategy. Marketers need to understand and use the following areas or components when developing the strategy:

1. Company mission and vision—What is the purpose of the strategy?
2. Competitive advantage or unique selling proposition—How is the company going to compete in the market place? How should the company position itself to create a sustainable competitive advantage?
3. Synergy—Good strategy takes advantage of a firm's competencies and strengths and uses those to generate greater marketing performance. The whole is greater than the parts.
4. Resources—A strategy should be developed with the organization's resources in mind. What are the costs of the resources and are they available to the marketer?

Most companies or firms use more than one strategy to help guide the marketing program. Within any given organization there are numerous strategies employed. Almost all business plans are set up in the same way. A company first develops objectives, creates strategy, and then develops the tactics, or marketing executions. So if you ever get *LOST* in regard to building a plan, **L**ink **O**bjectives, **S**trategies and **T**actics (LOST)**.**

Figure 2.4 Objectives, strategy, and tactics

Objectives, strategy, and tactics are linked together and follow the order shown here.



The main types of marketing strategies are summarized in Table 2.2. Keep in mind that a company may use more than one strategy. For example, a company may use niche marketing with a follow-the-leader strategy.

Table 2.2 Main marketing strategies

Strategy	Example
Market leader strategies: Companies decide to be the market leader (industry, product). Three main ways to do this are as follows: a) Expand total market: this is done by adding new users, finding new uses for current products, or increasing usage of current product. b) Defend Market Share: Respond quickly to competitive threats. Focus on continuous innovation. c) Expand Market Share: Grow sales by adding new markets.	a) Expand total market: Arm & Hammer™ Baking Soda attempts to expand uses of product by educating consumers on uses other than baking. b) Defend Market Share: Apple® responds to competitive threat by lowering price of products. c) Expand Market Share: Target expands to Canada to expand market share.
Market challenger strategies: When companies want to challenge a market leader they use market challenger strategies.	Wendy's® challenges other burger fast-food restaurants by asking, "Where's the Beef?"
Market follower strategies: Companies want to profit from the successes of other companies so they follow the leaders.	Burger King® locates near McDonalds® because McDonalds has spent a lot of money finding ideal locations.
Market Niche Strategies: Companies decide to pursue a small, well-defined segment.	Jiffy Lube® focuses on people who want a quick oil change.
Mass marketing strategies: Companies use the same message for the entire target market.	McDonalds® focuses on low price and high volume.

Segmentation Analysis

Once the target market has been identified, members of the marketing department need to analyze the TM to see if there are any differences in the ways customers respond to marketing (market response elasticity). If there are differences in the way the customers respond, the marketers will then attempt to create market segments that identify the differences in customer response. This is the process of market segmentation analysis.

When companies are creating segments, they create criteria that will allow them to identify the consumers in each segment. They can identify these consumers by constructing typical customer profiles for each target segment. The **typical customer profile** describes the firm's most frequent customers. The profile contains a few descriptive phrases of the typical customer for each segment. For example, a typical customer profile for Gap® Maternity may include the following:

> Kari is a mother-to-be who is seeking comfortable, value-priced, stylish clothing. She is a married, middle-income customer with a college education. In her spare time she enjoys reading, travel, and spending time with her family.

The company then takes the typical customer profile and uses it to create a marketing program for each segment. There are many tools that can be used to help segment the target market. These tools help companies plan their marketing executions. An example of a company that uses segmentation analysis is Coca Cola®. There is a different segment of people for each product. People who buy Diet Coke are different from the segment that prefers Classic Coke, which is different from those that prefer Caffeine-free Coke. Early on Coca Cola management realized that each segment gets their information from different places and responds differently to marketing communications.

Each segment requires a separate marketing plan and resources. Therefore because of the expense, most companies choose one or a few segments to pursue.

The typical customer profile is also used to help marketing managers decide if they want to undertake target market segmentation in order to better communicate with customers who differ in their wants and needs, or differ in their buying behavior.

Buyer Behavior Analysis

Most of the research in the marketing arena is concerned with the behaviors of the company's or organization's consumers. This important step in marketing plan development is called an analysis of consumer behavior. Whether selling to end users, or concentrating on industrial or business buyers, marketers need to understand how these consumers behave in order to more effectively reach that market. The more one knows about consumer behavior, the more tools one has to communicate with the market.

PRNewsFoto/Motherhood Maternity

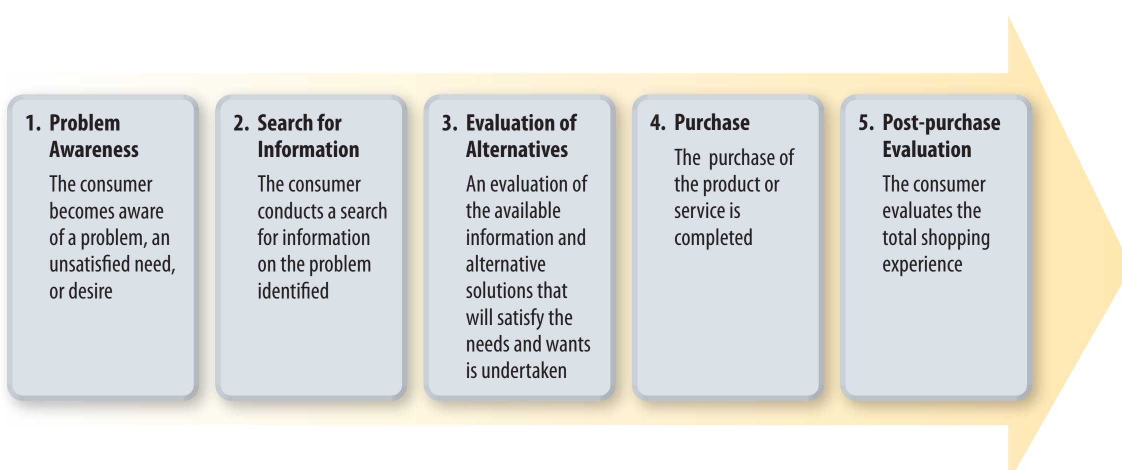
▲ Expectant mothers make up a market segment. How would retailers market to this segment?

The Five-Step Customer Decision-Making Process

To understand buyer behavior it helps to understand the consumer decision-making process. Consumers typically follow a pattern of decision making when buying products. The five-step decision-making process is shown in Figure 2.5.

For major purchases, consumers will go through each of the five steps. For routine or habitual purchases, consumers may skip the search and evaluation steps. Each step presents an organization an opportunity to help its consumers make purchases.

Figure 2.5 Five-step customer decision-making process



Problem Awareness

The first step, problem awareness, occurs only after a consumer realizes he or she has an unmet need or want. This can be in the form of a problem such as a broken smartphone, a need such as hunger, or a want for something such as a new outfit. Consumers are only motivated by unmet needs and wants, thus it's important for marketers to know when consumers are ready to make a purchase. Need (or want) recognition can be either conscious or subconscious. Sometimes recreational shoppers (those that shop for fun) may realize they desire something when they see it online or in a window.

Search for Information

After consumers go through the problem-awareness step, they search for information about the products and services available to satisfy their needs and wants. The time spent searching for information varies based upon the type of product and purchase situation. For example, you may be taking a walk and realize you're becoming thirsty. You immediately head for the nearest vending machine. While standing in front of the machine, you realize you have 10 items from which to choose. Because you're familiar with the brands being offered and the different items of bottled water, soft drink, and vitamin drinks, you select your beverage in a very short period of time, perhaps looking at costs and selection more than differing product choices. For a routine or habitual purchase, a person will buy the product with little or no research. Thus for most people, when buying items such as milk, toilet paper, and toothpaste the information search step is short in duration or skipped.

When products and services are high priced, have more importance to a consumer, or the customer is concerned there is a risk of making a poor decision, there is likely to be a high level of consumer involvement. The decision to buy a computer tablet takes much longer than the decision to buy a beverage due to the cost and the fact a computer is owned and used for a much longer time than a beverage. Consequently, a consumer will spend more time talking to other people about their experiences, checking consumer ratings of different brands, and comparing price. The consumer may go to a store to try out the tablet and may ask the salesperson many questions, thus furthering the information collection effort. Typically, when a consumer searches for information, he or she first searches internally. In an internal search, consumers rely on their experiences with the product or service and seek no additional input in terms of their shopping behavior. They may look through their smart phone for any archived information or perhaps they will attempt to remember what friends or families have said about the product. If the internal search offers no help, consumers search externally. The external search requires the consumer to gather information from a variety of sources including people, brochures, fliers, email, and m-commerce information. In their external search, consumers gather more information than they would in an internal search. Consumers use different methods in their searches. Younger consumers tend to use more technology in their searches than older consumers.

Evaluation of Alternatives

Armed with product information, the consumer's next step is to evaluate the alternatives discovered in the search for information step. The goal is to make the best purchase. The evaluation process takes longer if the product is high priced, if the consumer does not have experience in the product category, or if there is a risk that not every available product will meet the consumer's wants and needs. If it's a product that is purchased frequently or if the product has a low cost, the evaluation of alternative solutions will not take as long. To attract customers who are evaluating alternatives, marketers must show the consumer that their offerings are superior to those of their competitors. Marketing managers should provide product and service information to allow the consumer to make an educated purchase decision and to have the consumer choose their products or services.

E-tailers often allow consumers the ability to create a table that compares the features of various brands which allows consumers to compare products by different attributes such as style and price.

Purchase

The purchase follows the evaluation of alternatives step. Perhaps the most important step to marketers is the purchase step of the decision-making process. Marketers can help consumers choose their offerings by making customers feel welcome and appreciated whether in a physical store or shopping through another channel.

Post-Purchase Evaluation

After the purchase, consumers go through a post-purchase evaluation step. If the consumer is happy with the overall shopping experience, he or she will likely think of the company when planning to purchase again. Customers may also tell others about the positive experience. If the consumer had a negative experience, he or she may return the product, may be less likely to buy the product again, and may tell friends about the negative experience. A post-purchase evaluation is more likely to occur with products and services that are not routinely bought.

In the post-purchase evaluation step consumers may experience **cognitive dissonance** or buyer's remorse. This mental state refers to a consumer's doubt about the purchase, which creates discomfort in the consumer. For example, after purchasing a new pair of jeans, you may think that you paid too much or that you should have waited for a sale. Consumers attempt to alleviate or remove this negative feeling (Festinger, 1957). It is the marketing manager's job to help the consumer alleviate this negative state and to feel good about the purchase. Although warranties and guarantees are effective tools to increase consumer satisfaction with a purchase, the human touch also helps. Offering reasons why the purchase was a smart choice helps consumers feel good about themselves and their decision to buy a specific product from a specific company. Perhaps the best way to make sure that a customer doesn't experience cognitive dissonance is to make sure the dissonance doesn't occur in the first place. This is where customer feedback and research come into play.

Other Factors Influencing a Purchase

Other factors influencing a purchase include family, culture, and reference groups.

Family

The consumer's family consumes many products purchased over the consumer's lifetime. A buyer often thinks about other family members when shopping. Often the entire family participates in the decision-making process, as when family members weigh in on the choice of a restaurant when the family eats out. As the consumer goes through the decision-making process, the consumer's family may offer opinions about the purchase, particularly where to buy, what to buy, and when to shop. In addition, the family's size will dictate the quantity purchased for some goods.

Reference Groups

In addition to families, friends and others also influence decisions about which products to purchase. When a consumer looks to others for assistance in making product choices, they are known as the consumer's *reference group*. A **reference group** is composed of people that we compare ourselves to, whether or not we are part of the group. Individuals seek information from reference groups to help form beliefs, feelings, and certain behaviors. The consumer's reference group will provide the consumer information about products and services during conversations or through the consumer's observations. A reference group may include friends, family, and colleagues; however, it may also include individuals that the consumer does not know, such as sports and entertainment celebrities. People belonging to clubs and trade associations often view the members as a reference group. Many people followed Oprah Winfrey on her syndicated television program, The Oprah Winfrey Show. Oprah had an impact on her viewers in terms of products such as books. The viewers looked to Oprah for advice and information. When Oprah featured the product Spanx on her show it drove the product's sales to new highs and helped create a new industry based around the product.

Culture

A consumer's culture plays a role in influencing the purchase of products and services. **Culture** refers to a group's shared beliefs and values which affect their thinking and behavior. An individual belonging to one culture may have a differing shopping style from an individual belonging to another culture. Some cultures are price sensitive, other cultures are not. Many cultures like the United States stress individual accomplishments, while others, such as Japan and China focus more on group achievement. In addition to culture, researchers have found that subcultures also exist. A **subculture** is a group of individuals within a broader culture who share the same morals, beliefs, and values, but are distinctive in some other ways. Subcultures may form on the basis of shared interests, religion, age or professions. Within a university culture there are subcultures such as athletes, business majors, and members of the American Marketing Association.

Life Cycles

All buyers go through **life cycles**, which are developmental changes related to age. These cycles affect shopping behavior and purchase decisions. People who are going to college have different consumer needs compared to a retired person. Buying life cycles follow consumer life stages. Life stages are changes in a person's life that correspond to a person's marital status, profession, and family status. In addition, companies may seek other indicators to track life cycles, such as identifying whether the consumer is a teenager. Consumer purchasing behavior and the consumer's buying patterns change throughout life as needs change. Changes occur in family, education, income, or health. Each change may be accompanied by varying needs and wants. If a company can track those needs and wants throughout a customer's buying life cycle, it will be better able to create and carry products and services that are important for that customer.

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▲ People at different stages in life have different buying patterns.

Marketing Research

Companies often research buyer behavior. Marketing research and market research are distinctly different. **Marketing research** is "the function which links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve our understanding of marketing as a process" (Churchill and Iacobucci, 2002).

Market research on the other hand, is a subfunction of marketing research. In market research, the retailer or marketer is concerned only with information about the retailer's market(s) or potential market(s). In sum, market research refers to research about a retailer's market, whereas marketing research deals with the research generated for and from the entire marketing program or research about underlying theoretical issues such as consumer behavior.

The Marketing Research Process

To understand marketing research, it helps to have a basic grasp of the process used to gather data. The research process is composed of a series of eight steps to achieve the overall goal of generating usable information (Kumar, 2009). Table 2.3 illustrates a typical marketing research process.

Table 2.3 Market research process

Step	Description
Step 1: Formulate the research problem	The researcher looks for underlying causes of the problem. In marketing, the research problem usually comes about because objectives are not being met.
Step 2: Conceptualize a research design	The researcher chooses a research design (observation, survey, etc.). The research design is dependent on the type of data to be collected and how the information is collected.
Step 3: Create a data collection instrument	Based on the identified problem, methods of data retrieval and collection are chosen. When creating a data collection instrument, options include an online questionnaire, an observation feedback form, or a personal interview.
Step 4: Select a sample	The researcher decides to whom the research will be directed. The goal is to get a sample that represents the interests of the target market.
Step 5: Write the research proposal	The proposal shows what is to be accomplished from the work, the study design, and methodologies to be used in generating responses from the sample.
Step 6: Collect the data and enter into database	In this step the data are collected and placed into a database to allow for analysis. There are companies and software to help with this step.
Step 7: Analyze and interpret data	In this step, statistics are used to analyze the data and interpretations are made.
Step 8: Write the research report	This is a report of the research project and includes the steps and results of the research as well as recommendations.

Secondary and Primary Data Collection

Because of resource and time constraints, it is not always possible to undertake a grand-scale research project. Marketers may outsource the research function to consultants or other companies (such as advertising agencies). When marketing managers conduct the research themselves they rely on secondary and primary data collection.

Secondary data are published data that have already been collected for some other purpose. **Primary data** are collected for the first time and for a specific purpose. While more expensive the results are current, specific to the problem and are generally more accurate. Table 2.4 summarizes the differences between secondary and primary data.

Table 2.4 Differences between secondary and primary data

	Secondary	Primary
Easy to gather	Yes	No
Cost	Low	High
Accuracy	High–depends on source	High–depends on process
Problem specific	No	Yes
Data privacy	No	Yes
How current is information	Can be outdated	Very current

Learning Check

Reflect on your learning by answering the following questions:

1. What is marketing strategy? Name some common strategies used in marketing.
2. How does segmentation analysis help marketers?
3. What are the five steps in the consumer decision-making process?
4. What are factors that influence a purchase decision?
5. What are the steps in the marketing research process?
6. What are the differences between secondary and primary data?
7. Which aspects of the consumer decision-making process would not take place for a routine purchase such as buying milk?

2.6 Tactics, Marketing Program, and Evaluation and Response of the Market

Much of a marketing manager's time is spent on tactics, developing the marketing program, and evaluating whether or not the company's marketing efforts are successful. In this section we examine each of these areas.

Marketing Tactics

Once the strategy has been developed, the marketing tactics come next in the marketing management flow chart. Remember that marketing tactics are also known as the marketing mix. This is where product, price, channels of distribution, and IMC decisions are made. Tactical executions should be very specific in terms of the execution of the marketing program. In other words, tactics need to delineate who, when, how, where, and why the marketing program is to be offered to the market. Individuals or departments responsible for the overall tactical development should be identified. It's within the marketing tactics that managers need to be careful that they're seamlessly integrating the marketing message. True marketing variable execution can create more synergy for a company or organization. Because the tactics are so important to the positive outcome of a marketing plan, each of the marketing mix variables (or tactics) is given cursory coverage below.

The Marketing Program

When all of the pieces for the marketing plan have been put together, this is referred to as the **marketing program**. There will be numerous marketing programs undertaken at the same time in larger companies. Additionally, human and capital resources are placed within the marketing program, so it also houses the budget. Chief marketing officers (CMOs) will have a dashboard available to see all of the activities being performed under the marketing umbrella. The marketing program should contain the timeline for implementation of the marketing plan so that everyone knows the schedule.

Smaller companies may focus on only one marketing plan at a time. The marketing program is the integration of all marketing activities being undertaken. The marketing manager, marketing vice president, or chief marketing officer of a firm will be responsible for the true integration and effectiveness of the organization's marketing.

The marketing program is dynamic and is developed in tandem with the development of the other parts of the marketing plan. This program integration also allows the marketing director to evaluate and control for the marketing program in a better fashion.

Evaluation and Control of the Marketing Plan

Every step of the marketing plan is important, so marketing executives must exercise some control over each of the functions. Marketing is one of the many business functions performed by marketing executives that is seen by the consuming market, which makes the need for efficiency extremely important. Each step of the plan should have elements of evaluation and control to make sure that any flaws or errors in the planning and execution processes can be corrected as soon as they are discovered.

Generally the marketing objectives are used to assess effectiveness of the overall marketing program. Managers will look at the objectives to see if they've been achieved. If they have, managers will study why and how they were achieved. If the company doesn't reach its objectives, managers need to revisit the plan and try to understand why the objectives weren't achieved.

It is imperative that a company have some control and evaluation in place or else they will never know which programs aren't effective and why the effective programs work. Finally, there is a huge cost associated with the marketing function, and in order to control costs associated with the program, evaluation and control are necessary. The evaluation and control step needs to ensure input from the targeted market. It is necessary to track target market response.

Response of the Target Market

As stated earlier, marketing managers are concerned that the marketing activities they've planned were the "best" ones to use. One method in doing this is to make sure the target market is responding in a predictable manner. Once again, objectives should be reviewed to see if they've been met. Evaluation and control centers should assess why the plan was effective, or why the plan was not effective.

Since many things can occur in the marketing of goods and services (such as changes in the marketing environment, changes in the response actions of other firms, personnel changes, etc.), one must understand what is causing the changes in the response of the TM. Perhaps the plan was

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▲ It is important to assess the target market's response to marketing activities. What tools and data might be used to analyze the market's response?

fine, but competitors decided to lower their prices, which impacted the plan. Perhaps there was a change in the marketing environment (drop in the stock market, lack of consumer confidence, increased oil prices, changes in laws, changes in government, etc.) that wasn't caught in the situational analysis or MOA and it had an impact on the marketing objectives. The key is to make sure one has a solid understanding of the environment and assess the effectiveness or lack of effectiveness of the marketing plan.

Once the manager has analyzed the response of the market, the process starts over again as the company reevaluates the mission, vision, and strategies.

Learning Check

Reflect on your learning by answering the following questions:

1. How do marketing tactics impact the marketing plan?
2. What information is included in the marketing program?
3. How does a marketing manager evaluate and control planning?
4. What are some ways a company measures the effectiveness of the marketing plan?
5. What do you think are the pitfalls of developing the marketing program?

2.7 Laws and Ethics

A **law** is a rule established by some authority. **Ethics** means "systematizing, defending, and recommending concepts of right and wrong behavior" (Internet encyclopedia of philosophy, 2013). The laws and ethics governing a company's markets should guide all marketing plans and actions. International marketing poses special issues; the company must be familiar with the laws, ethics, and customs of the places it does business. A company involved in e-commerce must be familiar with the numerous laws governing online business practices.

Any company conducting interstate commerce is bound not only by local and state laws but by many national laws as well. The federal government has restrictions on how firms may conduct business, as do regional, state, and local authorities. Companies involved only in intrastate commerce are not subject to most federal regulations, but they must still operate under regional, local, and state laws.

Finally, many trade associations impose a code of ethics on their members. A **code of ethics** is a written set of guidelines for a company's stakeholders that help define ethical behavior. Members of these groups must follow the codes of ethics to maintain their memberships in good standing.

In developing an understanding of customer value and retention, companies must be aware that ethics have an impact on customer relationships and perceptions of value. It is very hard to repair the bond between customer and company once that trust is broken. Because many companies are always in the public eye, they must operate in an ethically and socially responsible manner.

Ethical behavior helps develop relationships and trust, and increases profits and sales. In addition, by operating ethically, managers and employees feel positive about themselves and about their companies. Think about people you know who treat you fairly and with respect contrasted to those whom you feel you can't trust. With whom would you more likely do business? A strong example of ethics is J. C. Penney Company, founded on James Cash Penney's work ethic and social philosophy of taking good care of the customers and the community. The stores' employees still follow this work ethic (Anthony, 2002).

Marketing managers may face pressure to increase sales and profits. This may tempt some to engage in unethical practices. Although the many corporate scandals that dominated the news in the last decade rarely involved marketing departments, the ethical practices of businesses have become increasingly important to the public and the media.

Case in Point: The American Marketing Association's Code of Ethics

Shown below is a segment of the American Marketing Association's (2013) Code of Ethics. To see the entire code go to http://www.marketingpower.com/aboutama/pages/statement%20of%20ethics.aspx.

PRNewsFoto/American Marketing Association

ETHICAL NORMS

As Marketers, we must:

1. **Do no harm.** This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.
2. **Foster trust in the marketing system.** This means striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process as well as avoiding deception in product design, pricing, communication, and delivery of distribution.
3. **Embrace ethical values.** This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values: honesty, responsibility, fairness, respect, transparency and citizenship.

ETHICAL VALUES

- **Honesty**—to be forthright in dealings with customers and stakeholders.
- **Responsibility**—to accept the consequences of our marketing decisions and strategies.
- **Fairness—**to balance justly the needs of the buyer with the interests of the seller.
- **Respect**—to acknowledge the basic human dignity of all stakeholders.
- **Transparency—**to create a spirit of openness in marketing operations.
- **Citizenship**—to fulfill the economic, legal, philanthropic and societal responsibilities that serve stakeholders.

(continued)

IMPLEMENTATION
We expect AMA members to be courageous and proactive in leading and/or aiding their organizations in the fulfillment of the explicit and implicit promises made to those stakeholders. . . .We encourage all such groups to develop and/or refine their industry and discipline-specific codes of ethics to supplement these guiding ethical norms and values.

Source: "Statement of Ethics" (n.d.). American Marketing Association. Retrieved from http://www.marketingpower.com/aboutama/pages/statement%20of%20ethics.aspx. Reprinted with permission.

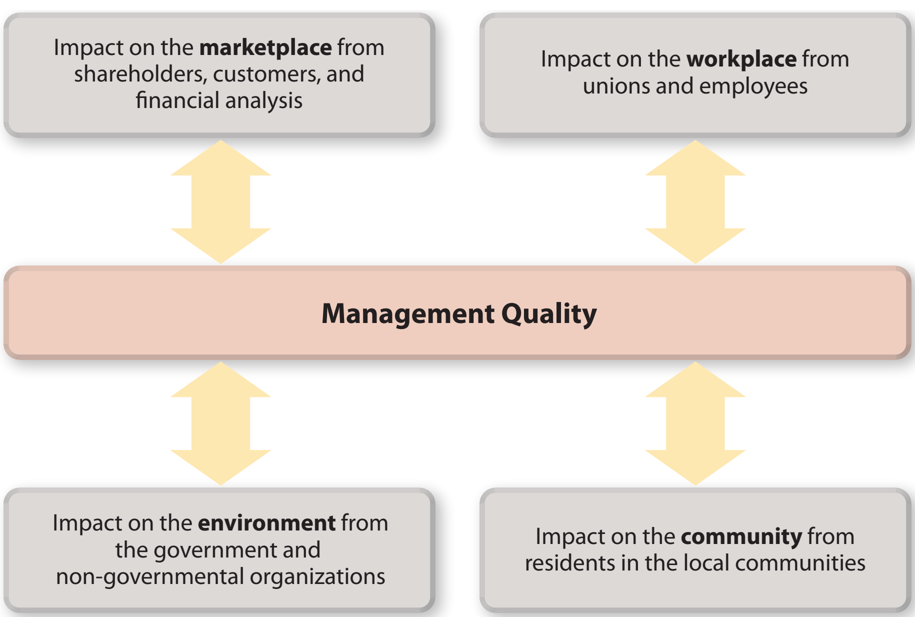
Reflection Questions
1. Does the AMA expect too much from its members in terms of ethical behavior? Why or why not?
2. Which of the ethical values listed would be hardest to achieve? Easiest?
3. Why are organizations such as the AMA important to instill ethical expectations in marketing?

Corporate Social Responsibility (CSR)

The World Business Council for Sustainable Development (2002) defines **corporate social responsibility (CSR)** as "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life" (p. 23). In essence, corporate social responsibility makes business a partner with the community to improve society. This in turn strengthens the relationship between the organization and its customers and increases the value of the firm.

Figure 2.6 illustrates the relationship of businesses in society. The figure shows that businesses must answer to two primary aspects of their operations: (1) the quality of their management and (2) their impact on society in the marketplace, workplace, environment, and community.

Figure 2.6 The relationship of a business in society



Source: Adapted from Baker, M. (2004). *Corporate social responsibility-What does It mean?* Retrieved from http://www.mallenbaker.net/csr/definition.php.

More and more companies are realizing that they improve their company image when they work to improve their communities. By recognizing the interdependence of businesses and society, companies can make a positive impact. Target Corporation is an example of a company that believes in corporate social responsibility. Each year the company gives 5% of profits to communities, adding up to more than $4 million each week (www.target.com).

› *Learning Check*

Reflect on your learning by answering the following questions:

1. What is the difference between laws and ethics and why are both important to marketing planning?
2. What is corporate social responsibility?
3. How do you think corporate social responsibility and the marketing concept are related?

Summary and Resources

In only one chapter you've become an expert in the development of the marketing plan and the management of said plan. You learned that it takes a mission and vision (and sometimes corporate objectives) in order to guide your plan's development. Additionally you learned that marketing history is important so you don't repeat past mistakes. Because of that you learned about the development of the situational analysis and system for environmental scanning. You learned that an overall look at the market helps develop an analysis of market opportunity. From that opportunity, a market target and objectives are created to be used in assessing if the target is reached. You learned about strategy development, an analysis of the consumer behavior, and segmentation analysis. Finally you learned about marketing tactics and are now ready to begin the development of your integrated marketing communication plan. The chapter focused on the marketing management flow chart.

You have been provided with many of the tools necessary to begin the building of your marketing plan. It's always a good idea to bring in other resources. Go online and go to local libraries or business libraries to gather books, data, articles, and other information that will allow you to build your best possible plan.

The rest of the book is dedicated to the development and building of an integrated marketing communication plan, but prior to getting involved with the building of that plan, we've provided you with an outline to build your plan's foundation through the development of a marketing plan. Remember, building marketing and IMC plans is like building a house. You need the right tools and equipment to make sure that the house has a solid foundation, and that the house takes shape just like your vision.

Post-Test

1. What areas are NOT within the control of the marketing manager?
   a) the economic, social, legal, and technical environments
   b) the external environment and evaluation and control of the marketing program
   c) development of marketing objectives, marketing strategies, and tactical executions
   d) research-based market segmentation and the economic environment

2. Which of the following is true about good mission statements?
   a) They explain what value the product provides for the customer.
   b) They explain the organization's purpose and current business approach.
   c) They describe where the organization sees itself going over the next few years.
   d) They are able to cover numerous concepts in a single long statement.
3. New government regulations that require a product's ingredients to be changed are an example of which kind of environmental force?
   a) global environment
   b) task/mediating environment
   c) macroenvironment
   d) intraorganization environment
4. Understanding what competitors are currently doing to market products, and what they may do in the future, is a key part of the
   a) situational analysis.
   b) market response elasticity.
   c) marketing objectives.
   d) market opportunity analysis.
5. Which of the following is NOT true about marketing strategy?
   a) The company mission and vision are important to understand and use in marketing strategy.
   b) Most companies incorporate more than one marketing strategy.
   c) A good strategy looks at the company's existing strengths and uses those to improve marketing performance.
   d) Marketing strategy development occurs first, followed by creation of objectives.
6. To make sure any planning problems are corrected right away, each step of an effective marketing plan should include which of the following.
   a) Marketing is one of the few functions of business that consumers actually see.
   b) Marketing plans are very often flawed, so careful oversight is needed.
   c) When marketing plans are effective, managers do not need to have control over each function.
   d) Effective marketing plans ensure that the target market will always respond as desired.
7. A company involved in interstate commerce is subject to
   a) state laws only.
   b) local, state, and national laws.
   c) national and international laws.
   d) local, state, national, and international laws.

8. Which area of the marketing management flow chart deals with determining markets that a company might potentially pursue?
   a) situation analysis
   b) analysis of buyer behavior
   c) market segment analysis
   d) market opportunity analysis
9. A kitchen appliance company believes that its dishwashers are the quietest on the market. The company has created a statement explaining how this differentiates them from competing brands. This is an example of
   a) a vision statement.
   b) a mission statement.
   c) a unique selling proposition.
   d) core values.
10. A marketing manager following a five-step process of environmental scanning has identified relevant environments and searched for relevant changes within those environments. Her immediate next step should be to
    a) evaluate the magnitude, direction, and nature of the environmental changes she found.
    b) change strategy to respond to the environmental changes she found.
    c) look for environmental changes in newspapers, the trade press, the Internet, and other sources.
    d) communicate with customers about any relevant changes.
11. What is one reason that excellent customer service is important?
    a) It influences the development of a target market by affecting consumers' ability to purchase.
    b) It affects customers' willingness to buy from a company and thus the development of a target market.
    c) It determines whether customers are willing to buy and therefore influences the company's value statement.
    d) Customer service is a central element of forecasting demand.
12. What do companies use to create a marketing program for a segment of a target market?
    a) a market leader strategy
    b) a unique selling proposition
    c) a typical customer profile
    d) a mass marketing strategy
13. One way managers can determine whether marketing activities were effective is to:
    a) evaluate the changing responses of other firms.
    b) determine whether the target market is responding as predicted.
    c) exercise control over each of the marketing functions.
    d) solicit feedback from other managers and all members of the marketing department.

14. ______________ refers to a commitment by a company to partner with the community.
    a) Transparency
    b) A code of ethics
    c) Corporate social responsibility
    d) Ethical behavior

Answers

1. a) the economic, social, legal, and technical environments. The correct answer can be found in Section 2.1.
2. b) They explain the organization's purpose and current business approach. The correct answer can be found in Section 2.2.
3. c) macroenvironment. The correct answer can be found in Section 2.3.
4. d) market opportunity analysis. The correct answer can be found in Section 2.4.
5. d) Marketing strategy development occurs first, followed by creation of objectives. The correct answer can be found in Section 2.5.
6. a) Marketing is one of the few functions of business that consumers actually see. The correct answer can be found in Section 2.6.
7. b) local, state, and national laws. The correct answer can be found in Section 2.7.
8. d) market opportunity analysis. The correct answer can be found in Section 2.1.
9. c) a unique selling proposition. The correct answer can be found in Section 2.2.
10. a) evaluate the magnitude, direction, and nature of the environmental changes she found. The correct answer can be found in Section 2.3.
11. b) It affects customers' willingness to buy from a company and thus the development of a target market. The correct answer can be found in Section 2.4.
12. c) a typical customer profile. The correct answer can be found in Section 2.5.
13. b) determine whether the target market is responding as predicted. The correct answer can be found in Section 2.6.
14. c) Corporate social responsibility. The correct answer can be found in Section 2.7.

Key Ideas

- Marketing plans are necessary for the creation of effective IMC plans. There must be synergy between the marketing plan and the IMC plan.
- The flow of the marketing plan focuses on planning with executions such as product, price, channels of distribution, and integrated marketing communications placed at the end of the plan. The marketing mix is used to execute the plan's tactics.
- A situational analysis is used to get a good feeling of the environments in which a company or organization operates. It provides a history of the company or organization. In other words it tells where you've been and where you are now.
- Within the market opportunity analysis (or within the situational analysis) there must be a system for scanning the firm's environment. The concept is to identify change before it occurs and to adapt to that change using the overall marketing plan.

- Objectives are used as goals for strategy attainment. Objectives are metrics that marketers use to assess the effectiveness of their plans. Remember if you can't measure it, you can't manage it.
- A mission statement explains why a company is in business.
- A vision statement indicates where a company sees itself in the future. It's a statement of, if possible, what a perfect organization would look like. It helps to develop an organization's core values.
- Target markets are made up of any current or potential customer who has the ability to buy a product and the want and need to own the product or service.
- SMART objectives are Specific, Measureable, Attainable, Relevant, and Time-Bound.
- Market segmentation is the process of breaking a market down into subsegments in order to offer each of the segments what they desire using marketing and communications methods that each of the segments prefer.
- It's important to study the behavior of buyers in order to be able to develop the best possible communications plan.
- Laws and ethics influence marketing planning.

Key Terms

code of ethics A written set of guidelines for a company's stakeholders that help define ethical behavior.

cognitive dissonance (buyer's remorse) A mental state occurring after a purchase when a consumer has doubts about a purchase.

core values Principles that help to define how a company will behave when running the business

corporate social responsibility (CSR) The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.

culture A group's shared beliefs and values which affect their thinking and behavior.

environmental scanning The acquisition and use of information to assist in the management and planning of future actions.

ethics Systematizing, defending, and recommending concepts of right and wrong behavior.

law A rule established by some authority.

life cycles Developmental changes that people go through typically related to age.

market opportunity analysis Analysis that helps the marketing team to understand the market and identify opportunities that would allow the company to make a profit.

market research Information collection on a retailer's market or potential market.

market response elasticity Differences in the ways customers respond to marketing.

market size The amount of revenues or sales that emanate, or flow, from a market.

marketing objectives Specific goals a marketing manager wants to reach with the marketing program.

marketing program All of the pieces for the marketing plan put together and including the budget and implementation timeline.

marketing research The function which links the consumer, customer, and public to the marketer through information that improves our understanding of marketing as a process.

mission statement The statement that spells out the purpose of the organization.

pop-up store A temporary retail outlet/store that is typically opened during a holiday or special event.

primary data Data collected for the first time and for a specific purpose.

reference group People that we use to compare ourselves to, whether or not we are part of the group.

secondary data Published data that have already been collected for some other purpose.

situation analysis Component of the marketing plan that contains the history of the company or organization as well as the current company situation.

subculture A group of individuals within a broader culture who share the same morals, beliefs, and values, but are distinctive in some other ways such as shared interests, religion, age or profession.

target market Any given group of current or potential customers toward whom the firm aims its marketing efforts.

typical customer profile A description of a firm's most frequent customers.

unique selling proposition (USP) A statement of what a company's product or service has that no competing brand has.

value statement (or value proposition) Explains in consumer language exactly what the product does for the consumer.

vision statement Future-oriented statement that articulates where the company sees the operation going over the next several years.

Discussion Questions

1. What do you think is the most exciting part about creating a marketing plan? Why?
2. Why do many companies not have a mission/vision statement? Does the lack of a statement hurt them?
3. What is the difference between corporate objectives versus strategies and tactics?
4. Why is it important to study the consumer's behaviors?

Critical Thinking Exercises

1. Obtain at least two marketing plans that have been used by companies and organizations. Are they alike? What makes them alike? Are there differences in the plans? Why do you think there are differences?
2. Create a situational analysis for yourself. Based upon this analysis, what changes will you be making for yourself in the upcoming year? Two years?
3. List your personal mission and vision. Where do you see yourself in ten years?
4. Choose a company and evaluate its mission and vision statements. What could be improved?
5. Select a Fortune 500 company. Research the company. Based upon your research, what do you think the company's target market is? Why do you think this?
6. Use the Internet to undertake a situational analysis for the music industry. How has it changed? Where do you think this industry is headed?

Continuing Project

As we mentioned in the first chapter, throughout the textbook there will be a continuing exercise that focuses on your development of an IMC plan. This exercise is aimed toward creating the marketing plan you'll use when building your IMC plan. Below is a template for the marketing management flow chart. Simply fill in the blanks on the template with information you've been collecting. If this is a class project or a term paper, make sure you check with your professor prior to beginning this exercise. Not all marketing plans contain the same information. Here are a few websites to illustrate the different approaches to marketing plan development:

Marketing Plan.net: http://www.marketingplan.net/sample-marketing-plan/

BizMove Business Guides: http://www.bizmove.com/marketing/m2h.htm

Website Marketing Plan: http://www.websitemarketingplan.com/Free/FreeSampleMarketingPlan.pdf

The Marketing Management Flow Chart

Figure 2.1 shows the marketing management flow chart. If you have not chosen a company, choose a company from which to develop a marketing plan. This could be a new company but it is easier to find information on an existing company. Use the flow chart to develop a marketing plan starting with the company mission and vision. The outline of the information you need to develop is also shown below.

Anytime you make a suggestion for action you must provide a rationale for that suggestion. Make your rationale research based in order to be able to answer questions from a manager (or professor) that relate to your project. Be proactive and show you have a good grasp of the marketing environment and the marketing program process.

1. Company Mission/Vision
2. Situational Analysis
3. Market Opportunity Analysis
4. Target Market
5. Marketing Segmentation Analysis
6. Marketing Strategy
7. Analysis of Consumer Behavior
8. Marketing Tactics:
   a) Product Planning, Development, and Management
   b) Pricing
   c) Channels of Distribution
   d) Integrated Marketing Communication
9. The Marketing Program
10. Evaluation and Control Methods
11. Response of the Targeted Market
12. Laws and Ethics that impact the company

Additional Resources

American Marketing Association—The leading trade organization for marketing professionals: http://www.marketingpower.com

Company Specific Reports

Annual reports, 10K, 10Q, and other filings can be found on company websites under investor information. Look up specific company.

Forbes—Online magazine useful when conducting research on companies: http://www.forbes.com

Glassdoor—jobs and career community that provides an inside look at companies: http://www.glassdoor.com/index.htm

MorningStar—provides investment research: http://www.morningstar.com

Valueline—provides investment information: http://www.valueline.com

Case Study: International Expansion at Disney

When Walt Disney® Company opened a theme park in Europe, the company spent a lot of time and money on its new project, Euro Disney, located in Paris. Disney was inspired by the success of its Tokyo Disneyland. In the agreement with Tokyo Disneyland investors, the Walt Disney Company was not required to invest any money upfront. Instead, the Walt Disney Company received 10% of the gate receipts and rides and 5% of all sales of food, drink, and souvenirs. Disney's agreement with Euro Disney had equivalent percentages. However, the Walt Disney Company also invested $4.4 billion to retain a 49 % interest in the project, hoping to realize the large return that Tokyo Disney was generating at the time (Gumbel and Turner, 1994). But after Euro Disney's opening in April 1992, the company realized that this investment may have been unwise.

Tim Oram/age fotostock/SuperStock

During the first year of opening Euro Disney, Europe entered into a recession. Profits from all properties (especially the hotels) were flat and, because of falling property values, the equity that was invested in the physical real estate fell in value. In the first two years of operation, Euro Disney lost over $1 billion. Disney failed to understand that European customers were price conscious. It also didn't count on the demand for breakfast at its park restaurants or on Europeans' desire for wine with meals. To compound these problems, Disney had a difficult time training some of its French employees in efficiency and customer satisfaction. The response of managers at Disney seemed to be, "Do as we say, because we know best" (Gumbel and Turner, 1994, p. A1).

Disney had created an empire based on the needs and wants of its U.S. and Japanese consumers, but it ignored the wants and needs of the European market. The result was disappointing early sales at Euro Disney. Although tourists loved to frequent Euro Disney, they failed to spend as much money as did customers at other Disney parks. Disneyland Paris finally reported a profit in 2005. In 2009, the company posted losses and, due to the recession, continued to have financial problems. Nevertheless, Disneyland Paris is the most visited tourist destination in Europe. According to Philippe Gas, chief executive, "We are committed to developing our tourist destination and supporting France's tourism leadership, while addressing the challenges of sustainable leadership" (Daneshkhu, 2010).

Critical Thinking Questions

1. What type of research should be done before a company opens in a foreign location?
2. Visit the Disneyland Paris website (www.disneylandparis.com). What's the first thing you notice? Is the website user-friendly?
3. What would you have done differently to help ensure that Euro Disney used the marketing concept and extended marketing concept in its marketing plans?
4. What do you think Philippe Gas means by "sustainable leadership"?