LEARNING OBJECTIVES

After you have studied this chapter, you will be able to . . .

1) Differentiate between marketing strategy and marketing tactics.

2) Discuss the role of marketing planning at the corporate level, at the strategic business unit level, and at the operational level of management.

3) Understand the concept of the organizational mission.

4) Understand the nature of a competitive advantage.

5) Understand the importance of total quality management strategies in product differentiation.

6) Discuss demarketing.

7) Explain the market/product matrix.

8) Identify the stages in the strategic marketing process.

9) Describe marketing objectives and marketing plans.

10) Discuss the concept of positioning.

11) Understand the nature of marketing ethics and socially responsible behavior.
What if you were asked to name the biggest rent-a-car company. And what if you were told that the answer is not Hertz or Avis, but Enterprise Rent-a-Car. Would you say you’ve barely heard of them? It’s okay; most frequent fliers have never come near an Enterprise office. And that’s just fine with Enterprise. While Hertz, Avis, and lots of little companies were cutting one another’s throats to win a point or two of the “suits and shorts” market from business and vacation travelers at airports, Enterprise invaded the hinterlands with a completely different strategy—one that relies heavily on doughnuts, ex-college frat house jocks, and your problems with your family car.

In the 44 years since it was founded in St. Louis, Enterprise has blown past everybody in the industry. It now owns more cars (310,000) and operates in more locations (2,800) than Hertz.

Enterprise’s approach is astoundingly simple: It aims to provide a spare family car if your car has been hit, or has broken down, or is in for routine maintenance. Typically, you pay 30 percent less for an Enterprise car than for one from an airport. And your insurance or warranty usually picks up part of the tab. The paperwork is minimal and the rental process is quick.

Wow! How simple! So why haven’t Hertz and Avis made road kill out of Enterprise? And how come Hertz’s CEO concedes he “missed a big opportunity” by letting Enterprise run away with this business? Because the replacement business is harder than it looks, and because years ago Enterprise developed a bunch of quirky but simple hiring and promotion practices that have produced a culture perfectly suited to its part of the industry.

Instead of massing 10,000 cars at a few dozen airports, Enterprise sets up inexpensive rental offices just about everywhere. As soon as one branch grows to about 150 cars, the company opens another a few miles away. Once a new office opens, employees fan out to develop chummy relationships with the service managers of every good-size auto dealership and body shop in the area. When your car is being towed, you’re in no mood to figure out which local rent-a-car company to use. Enterprise knows that the recommendations of the garage service managers will carry enormous weight, so it has turned courting them into an art form. On most Wednesdays all across the country, Enterprise employees bring pizza and doughnuts to workers at the garages.

Enterprise is also betting that when you’re stuck, you won’t be in the mood to quibble about prices. Yes, it has cars for $16 a day—the amount many insurance policies pay for replacement rentals. But those are often tiny Geo Metros; about 90 percent of people pay more for a bigger car. Enterprise buys cars from a wide variety of American, Japanese, and European automakers. To reduce costs, it keeps its cars on the road up to 6 months longer than Hertz and Avis do.

Enterprise doesn’t just wait for your car to break down to capture you as a customer. A huge chunk of its recent growth has come as auto dealers increasingly offer customers a free or cheap replacement while their cars are in the shop for routine maintenance. Enterprise has agreements with many dealers to provide a replacement for every car brought in for service. At major accounts, the company sets up an office on the premises, staffs it for several hours a day, and keeps cars parked outside so customers don’t have to travel back to the Enterprise office to fill out paperwork.

Unusual hiring and promotion practices drive much of the company’s hustle and rapid growth. Virtually every Enterprise employee is a college graduate; in a unionized, labor-intensive industry that seeks to keep wages low, that’s unusual enough. But there’s more. Hang around Enterprise
Enterprise built itself around a marketing strategy that differentiated the company from its competitors. As this example illustrates, developing a marketing strategy is crucial to an organization’s success. Marketing strategy is the subject of this chapter.

The chapter begins by discussing the activities of marketing managers and defining marketing strategy. Next, it discusses planning at various levels in the organization, giving special attention to the organizational mission and to planning for marketing at the strategic business unit level. It then addresses each stage in the strategic marketing process. A discussion of execution and control follows the material on marketing planning. Finally, the chapter introduces the topic of ethics and social responsibility in marketing, an important and pervasive topic that will be discussed further throughout the text.

Marketing Management

Organizations, whether charities, universities, or giant global businesses like the Microsoft Corporation, must have managers. Managers develop rules, principles, and ways of thinking and acting that allow the organization to attain its goals and objectives.

Corporate managers, or top managers, are the executives responsible for the entire organization. Top managers, with titles such as chief executive officer (CEO) and executive vice president, recognize that at the corporate level, marketing is a business philosophy rather than a series of activities. An important part of their job is to ensure that all business functions work together to achieve marketing success. Managers at the middle levels of the organization are responsible for the management of marketing efforts for goods and services in the organization’s business units.

Marketing management is the process of planning, executing, and controlling marketing activities to attain marketing goals and objectives effectively and efficiently. Of course, the time, effort, and resources associated with Johnson & Johnson’s introduction of a new flavor of dental floss differ from the time, effort, and resources associated with Microsoft’s development of computer software that understands normal spoken language, a project that Microsoft has been working on for years. Yet in both cases, success depends on planning, execution, and control. These are the basic functions of management at every level.

Managers in today’s dynamic and rapidly changing business world confront extraordinary challenges that were rarely encountered a decade ago. Today’s marketing manager must be flexible and versatile to deal with changes that come more quickly and are more dramatic, complex, and unpredictable than ever before. Because marketing managers must deal with change, the marketing...
management process is a continuous one: Planning, execution, and control are ongoing and repetitive activities. A major aspect of dealing with change is the development of appropriate strategies.

What Is a Marketing Strategy?
Marketers, like admirals and generals, must develop strategies to help them attain the objectives they seek. The military planner’s endeavors can end more disastrously than those of business people, but the loss of the means to make a living, the closing of a factory, and the “defeat” of a product in the marketplace are serious matters indeed to the workers, investors, and executives involved. Many executives have noticed similarities between military strategy and marketing strategy. Therefore, a number of military terms—strategy, tactics, campaigns, maneuvers, and so on—have been adopted by business people, just as they have been by football coaches, to relate their organizational activities to those of competitors. Because of its widespread usage, the term strategy has been defined in many different ways.4 For our purposes, a specific definition is appropriate: A marketing strategy consists of a plan identifying what basic goals and objectives will be pursued and how they will be achieved in the time available. A strategy entails commitment to certain courses of action and allocation of the resources necessary to achieve the identified goals.

Members of the armed forces describe strategy as what generals do and tactics as what lower officers, such as captains and lieutenants, do. This description rightly suggests that tactics are less comprehensive in scope than strategies. Tactics are specific actions intended to implement strategy. Therefore, tactics are most closely associated with the execution of plans.

The basic strategy at McDonald’s, for example, is to have clean, family-type restaurants that offer friendly service, high-quality food, and good value. Offering Happy Meals for children at reasonable prices is a tactic used to implement this strategy. It encourages consumers to bring their families to McDonald’s because high-quality children’s meals are a good value there. Providing pamphlets explaining that your fork is the only thing that is not nutritious in a McSalad Shaker is another specific action that helps convey the idea that McDonald’s offers an assortment of high-quality food for the entire family. McDonald’s uses many tactics like these to implement its “quality, service, cleanliness, and value” strategy.

Planning—Designing a Framework for the Future
Recall that the basic functions of management are planning, execution, and control. In this part of the chapter, we focus on planning.
Planning is the process of envisioning the future, establishing goals and objectives, and designing organizational and marketing strategies and tactics to be implemented in the future in order to achieve the goals. The planning process consists of analyzing perceived opportunities and selecting courses of action that will help achieve the organization’s objectives most efficiently. Marketing managers plan what future activities will be implemented, when they will be performed, and who will be responsible for them.

The purpose of planning is to go beyond analysis of the present and to attempt to predict the future and devise a means to adjust to an ever-changing environ-
ment before problems develop. Planning helps an organization shape its own destiny by anticipating changes in the marketplace rather than merely reacting to those changes. For example, an organization that anticipates changes in the public’s and legislators’ attitudes toward the need for recyclable packaging may plan to convert to “environmentally friendly” packaging before laws require it to do so. Planning allows a manager to follow the maxim “Act! Don’t react.” In short, planning involves deciding in advance.

Planning goes on at various organizational levels. For simplicity’s sake, we will say that planning occurs at three levels of the organization: top management, middle management, and operational, or first-line, management. These levels are shown in Exhibit 2-1.

Strategic planning is long-term planning by top management that specifies an organization’s primary goals and objectives. Top management focuses on determining long-term strategies for the entire organization. As we move down the levels in Exhibit 2-2, the focus of planning narrows. At the middle management level, planning strategy and tactics for business units (such as divisions) and specific products becomes a more important job dimension. Middle-level marketing managers are responsible for planning the marketing mix strategy, allocating resources, and coordinating the activities of operational managers. At the level of operational management, operational planning, which concerns day-to-day functional activities, becomes dominant. Thus, whereas a vice president of marketing (a top-level manager) spends most of his or her time planning new products and strategy modifications for entire product lines, a sales manager (an operational manager) concentrates on supervising and motivating the sales force. Exhibit 2-2 shows how the focus of planning and basic strategic and tactical questions vary at the three major levels of the organization.

**Exhibit 2-2**

<table>
<thead>
<tr>
<th>Level of Management</th>
<th>Focus of Planning</th>
<th>Basic Marketing Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td>Corporate plans</td>
<td>What is our organizational mission? How do we organize our business?</td>
</tr>
<tr>
<td>Middle management</td>
<td>Strategic business unit (e.g., division or product)</td>
<td>What is our competitive strategy for growth? What is our competitive advantage?</td>
</tr>
<tr>
<td>Operational management</td>
<td>Operational plans for tactical execution</td>
<td>How can we best support the competitive strategy? What are our schedules for weekly operations?</td>
</tr>
</tbody>
</table>

Strategic planning
Long-term planning dealing with an organization’s primary goals and objectives, carried out primarily by top management; also called corporate strategic planning.

Operational planning
Planning that focuses on day-to-day functional activities, such as supervision of the sales force.
Top Management Makes Corporate Strategic Plans

As previously stated, top management plans strategies for the organization as a whole. Answers to questions such as “What business are we in?” and “How do we organize our business?” help top executives determine comprehensive strategies for long-term growth. This section describes how the decisions top managers make about the organizational mission provide a framework for establishing the organization’s strategic business units.

DEFINING THE ORGANIZATIONAL MISSION

Developing an organizational or corporate mission is a strategic decision that influences all other marketing strategies. An **organizational mission statement** is a broad statement of company purpose. It explains why the organization exists and what it hopes to accomplish. It provides direction for the entire organization. For example, when the Ford Motor Company was founded in 1903, Henry Ford had a clear understanding that cars should not be only for the rich—that the average American family needed economical transportation in the form of a low-priced car. Ford also had the insight to know that he could use product standardization and assembly-line technology to accomplish this mission. Modern marketers should strive to have an equally clear sense of each aspect of the business domain in which they operate.

Ebay is the world’s largest personal online trading community. Ebay created a new market: efficient one-to-one trading in an auction format on the Web. The mission statement of ebay provides a particularly clear understanding of the principles on which the company operates:

We help people trade practically anything on earth. Ebay was founded with the belief that people are honest and trustworthy. We believe that each of our customers, whether a buyer or a seller, is an individual who deserves to be treated with respect. We will continue to enhance the online trading experiences of all our constituents—collectors, hobbyists, small dealers, unique item seekers, bargain hunters, opportunistic sellers, and browsers. The growth of the ebay community comes from meeting and exceeding the expectations of these special people.
Product success, industry leadership, and even an organization’s survival depend on satisfying the consumer. In defining the broad nature of its business, a company must take a consumer-oriented perspective. It must avoid short-sighted, narrow-minded thinking that will lead it to define its purpose from a product/production orientation rather than a consumer orientation. Thus, Motorola defines itself as being in the wireless communication business, not just as a maker of cellular phones or pagers. Companies, like Disney, that make movies should see themselves as being in the entertainment business (“using our imagination to bring happiness to millions”) rather than the movie business. A firm’s failure to define its purpose from a broad consumer orientation is referred to as marketing myopia.6

Many organizational mission statements include ethical credos. Marketing ethics is discussed later in this chapter.

**STRATEGIC BUSINESS UNITS HAVE A MARKET FOCUS**

The organizational mission and other strategic corporate goals, once established, provide a framework for determining what organizational structure and business models are most appropriate to the organization’s marketing efforts. The organizational structure of a company that markets only a single product or service will be relatively simple. However, many organizations—for example, General Electric—operate a diverse set of businesses. General Electric’s businesses range from the marketing of light bulbs to the marketing of aircraft engines. For the medium-sized and large organizations that engage in diverse businesses, establishing strategic business units is another aspect of corporate-level planning.

A **strategic business unit (SBU)** is a distinct unit of the overall parent organization, such as a company, division, department, or product line, with a specific market focus and a manager who has the authority and responsibility for managing all unit functions. For example, a bank may have a real estate division, a commercial division, and a trust division, as well as a retail division that offers traditional banking services for the general public. The logic that underlies the concept of the strategic business unit is best illustrated with an example. Consider these statements: Procter & Gamble does not compete against Kimberly-Clark, and Dow Chemical does not compete against Union Carbide. Competition isn’t carried on at the corporate level but at the individual business-unit level. Thus, Procter & Gamble’s Pampers compete against Luvs disposable diapers, a Kimberly-Clark product. Dow might compete with Union Carbide for certain types of chemical customers but not others. Acknowledgment of this simple reality has led top managers to identify separate manageable units or autonomous profit centers within their organizations so that performance can be monitored at the level of individual business activities rather than at the overall corporate level only.

The idea is that each SBU operates as a “company within a company.” The SBU is organized around a business model and cluster of offerings that share some common element, such as being aimed at a particular target market or being produced with certain technology. The **business model** refers to the fundamental strategy underlying the way a business unit operates. For example, Dell Computer’s business model has two basic components: direct-order buying and a build-to-order process. People can buy a PC directly from Dell by phone, by fax, or over the Internet, but not in stores. Dell’s Web site lets a customer pick a PC and see how the price changes when various component parts are added or subtracted. Dell doesn’t build a PC until one is ordered. Then, workers in its plants assemble the PC according to the buyer’s specifications, and the PC is delivered to the customer. Dell’s business model does not require the company to inventory assembled PCs.7

Organizations that have several different business models typically have more than one SBU. For example, Kay-Bee toys is one of the growing number of retailers that operate business in retail stores as one SBU and Internet operations as another SBU.
An SBU has control over its own business model and marketing strategy. Its sales revenues may be distinguished from those of other SBUs in the organization. It can thus be evaluated individually and its performance measured against that of specific external competitors. This evaluation provides the basis for allocating resources.

Corporate-level strategies outline broad principles that are expected to filter down through the organization. Exhibit 2-3 depicts how corporate strategies influence marketing strategies at the business-unit level and at the operational level. Although corporate-level planning strongly influences the marketing planning activities within strategic business units, SBU managers tend to be closer to their customers, and their customer knowledge shapes their planning.

**Marketing Strategies at the SBU Level**

Corporate-level strategies that define the organization’s purpose provide a framework for marketing strategies within the business units. The responsibility for planning the SBU marketing strategy for a division or for individual products is assigned to middle managers. From a corporation perspective, the managers in charge of SBUs are at a level below the organization’s top managers. However, within the SBU they are key executives. These marketing managers focus on three key aspects of SBU strategies: (1) establishing a competitive advantage, (2) implementing a total quality management strategy, and (3) planning business-unit growth strategies.

**BUSINESS-UNIT STRATEGIES FOR COMPETITIVE ADVANTAGE**

One of the most common business-unit goals is to establish and maintain a competitive advantage—to be superior to or favorably different from competitors in a way that is important to the market. Illustrations of two basic marketing strategies (there are many others) should help you understand what a business-unit strategy is and how it can allow a company to establish a competitive advantage.
A price leadership strategy, or low-cost/low-price strategy, emphasizes producing a standardized product at a very low per-unit cost and underpricing all competitors. For example, Southwest Airlines offers rock-bottom prices. Unlike most other domestic airlines, Southwest does not offer long-distance flights. It links city pairs with frequent flights, almost like a shuttle airline. It does not offer preflight seat selection, hot meals, or baggage transfer to other airlines. It rewards customers who purchase paperless tickets via the Internet. Its low-cost/low-price strategy has been successful because Southwest passes the savings from its efficient, no-frills service on to consumers. Low-cost/low-price strategies often capitalize on cheaper resources in foreign countries, producing a product comparable in quality to those of competitors and marketing it at a rock-bottom price.

A differentiation strategy emphasizes offering a product that is unique in the industry, provides a distinct advantage, or otherwise set apart from competitors’ brands in some way other than by price. The product’s styling, a distinctive product feature, likeable advertising, faster delivery, or some other aspect of the marketing mix is designed to produce the perception that the product is unique. The heart of a differentiation strategy is to create, for the consumer, value that is different from or better than what competitors offer. Consider, for example, 3M’s strategy to enter the scouring pad business. Steel wool soap pads had been on the market for almost 80 years when 3M introduced Scotch-Brite Never Rust Soap Pads, made from 100 percent recycled plastic beverage bottles, with biodegradable and phosphorus-free soap. Scotch-Brite’s tremendous success was a result of 3M’s differentiation strategy to market soap pads that look and feel like competing brands but do not rust or splinter.

TOTAL QUALITY MANAGEMENT TO ACHIEVE DIFFERENTIATION
In working to differentiate their products, many organizations implement total quality management strategies. These strategies make market-driven quality a top priority.

Today, effective marketing organizations have implemented total quality management programs. These programs are not the exclusive domain of marketing managers, because production quality control and other business activities are integral aspects of their implementation. However, they are in tune with the marketing concept, since the definition of quality comes from the consumer.

The philosophy underlying the implementation of a total quality management strategy is epitomized in this statement by a Burger King executive: “The customer is the vital key to our success. We are now looking at our business through the customers’ eyes and measuring our performance against their expectations, not ours.” A company that employs a total quality management strategy must evaluate...
quality and value through the eyes of the customer. Every aspect of the business must focus on quality and continuous improvement. For example, management may institute a performance appraisal system to evaluate employees in terms of the service they provide to customers. Further, the organization may establish cross-functional teams that strive for continuous improvement.

**Cross-functional teams** are composed of individuals from various organizational departments, such as engineering, production, finance, and marketing, who share a common purpose. Current management thinking suggests that cross-functional teams help organizations focus on core business processes, such as customer service or new product development. Working in teams reduces the tendency of employees to focus single-mindedly on an isolated functional activity. The use of cross-functional teams to improve product quality and increase customer value is a major trend in business today.

In some situations, total quality managers determine that a marketing strategy must be aimed at reducing consumption or discouraging buying. **Demarketing** is the name of a strategy (or group of strategies) intentionally designed to discourage all or some customers from buying or consuming a product either temporarily or permanently. Suppose, for example, that a manufacturing firm finds that it has a temporary shortage of finished goods because of a scarcity of raw materials. To reduce customer demand, the firm might use demarketing strategies, such as reducing advertising, increasing prices, instituting a rationing system, or some other, more original activity.

Is demarketing different from the first-come, first-served, take-it-or-leave-it attitude a marketer of goods in short supply might take? Yes. Demarketing stresses a key aspect of marketing, consumer satisfaction. Demarketing attempts to change consumers’ attitudes so that they will understand the temporary situation and be satisfied with less. It emphasizes maintaining high quality and trying to keep customers over the long run rather than antagonizing them with a take-it-or-leave-it attitude. This is why demarketing fits into an overall total quality management strategy.

Businesses often encounter situations that warrant demarketing strategies. McDonald’s offering of one of ten different Teenie Beanie Baby figures with the purchase of a Happy Meal sold nearly 100 million Happy Meals in only 10 days. But the Beanie Baby promotion was flawed by a great underestimation of demand. The program was supposed to last 35 days, but many retail outlets quickly
sold every Beanie Baby in stock. In Chicago (at the time home of the NBA world-champion Bulls), newspaper advertisements proclaimed “Harder to get than Bulls tickets” and indicated that McDonald’s was sorry if the shortage caused any inconvenience. The demarketing effort’s purpose was to maintain customers’ trust in their relationship with McDonald’s.

When the marketers of new products underestimate demand, advertisements often stress that the shortages will be temporary, with messages such as “We’re sorry if you can’t find our new [name of brand]. But we’re sure you’ll find it worth the wait.”

In some situations, excess demand or overcrowding is unalterable, and demarketing is a long-term strategy. In Washington, D.C., the Metro subway system engages in selective demarketing by raising rates during morning and evening rush hours. The fare increase discourages tourists, shoppers, and others who could use the subway in non-rush hours from traveling during peak periods.

**PLANNING BUSINESS-UNIT GROWTH STRATEGIES**

Managers responsible for strategic business units manage existing products and plan new products. They seek opportunities for business growth in new or existing markets. The market/product matrix, which broadly categorizes alternative SBU opportunities in terms of basic strategies for growth, serves as a planning tool. Exhibit 2-4 shows how the matrix cross-classifies market opportunities and product opportunities.

**Market-Related Strategies for Existing Products** An organization seeking to expand sales of existing products has two major strategy paths available to it. One is **market penetration**. This strategy seeks to augment sales of an established product by increasing use of the product by existing customers in existing markets. Arm & Hammer has, with considerable success, convinced existing customers to purchase more baking soda by showing them new and creative ways to use the product. One suggestion, offered in advertisements and on packages, is to put an open box of baking soda in the refrigerator to reduce food odors. For consumers who feel uncomfortable throwing out a box of baking soda once it has been in the refrigerator for a time, the company suggests that the product be poured down the kitchen drain to freshen the drain. This strategy gave baking soda two new uses and gave buyers a way to dispose of the product in a manner that performed yet another odor-killing task. A similar technique is used by cereal companies, which frequently demonstrate how a cereal such as Cheerios or Rice Krispies can be used to make cookies, snack foods, and other non-breakfast items. Consumers are encouraged to try, for example, “cooking with Kellogg’s.”

A somewhat different strategy is **market development**, whereby the organization attempts to
draw new customers to an existing product. The most common market development strategy is to enter a new geographical area. The recent changes in Eastern Europe present a market development opportunity for many multinational organizations. The markets that are now growing in the Czech Republic, Slovakia, Lithuania, and other countries previously without market economies expand the sales potential of existing products.

The desire to expand the demand for an existing product need not come from the belief that an existing market is shrinking. It might derive from the fact that an organization has the capacity to produce more product or believes that in some other way its assets are not being utilized to the fullest.

**Market-Related Strategies for New Products**

Nothing is more important to a company’s long-term survival and growth than the successful introduction of new products. Consider, for example, that Lego, along with the Massachusetts Institute of Technology, spent more than 10 years developing a new robot-building toy called Mindstormers. Mindstormers sets, which contain Lego blocks, sensors, and software, allow users to build robots that walk and pick up objects in response to commands issued through a personal computer. Lego is in the process of developing other new products using the latest innovations in electronics technology. At Rubbermaid, one-third of the company’s annual sales volume comes from products that are less than 5 years old. Every year, the company introduces more than 400 new products to the market. Both Lego and Rubbermaid understand the critical importance of **product development**, which is the process of marketing innovative products or “new and improved” products in existing markets.

Marketing new products to a new set of customers is called **diversification**. When Sega Corporation felt a need to diversify outside its video-game operations, it created two high-tech, virtual-reality theme parks in Japan. Its expansion into North America with simulator rides that are part video game and part 3D movie is a major diversification effort for Sega.

A company that diversifies expands into an entirely new business. Often the company’s marketing research staff and its engineering research and development staff are instrumental in identifying market opportunities and product ideas for diversification.

An alternative approach to developing new products internally is to acquire new products by merging with another company or purchasing products from other companies. Upon finding that busy Americans were substituting bagels, muffins, and pastries for a bowl of breakfast cereal, Kellogg, the cereal maker, followed this strategy when it purchased Lender’s, a bagel maker.

**The Strategic Marketing Process**

Marketing managers engage in many diverse activities, ranging from creating new strategies to evaluating whether existing strategies are effective and efficient. The term **strategic marketing process** refers to the entire sequence of managerial and operational activities required to create and sustain effective and efficient marketing strategies. There are six major stages in the strategic marketing process:

1. Identifying and evaluating opportunities
2. Analyzing market segments and selecting target markets
3. Planning a market position and developing a marketing mix strategy
4. Preparing a formal marketing plan
5. Executing the plan
6. Controlling efforts and evaluating the results
As Exhibit 2-5 shows, the first four stages involve planning activities to develop a marketing strategy that will satisfy customers’ needs and meet the goals and objectives of the organization. The latter two stages involve execution and control to make the plan work.

The various activities involved in developing a marketing strategy may be carried out by a number of people over varying time periods, and the actual sequence of decisions may differ among organizations. Nevertheless, each stage is crucial to effective strategy development.

STAGE 1: IDENTIFYING AND EVALUATING OPPORTUNITIES

The powerful and ever-changing impact of environmental factors presents opportunities and threats to every organization. Opportunities occur when environmental conditions favor an organization’s attaining or improving a competitive advantage. Threats occur when environmental conditions signal potential problems that may jeopardize an organization’s competitive position. The marketer must be able to “read” the environment and any changes in it accurately and to translate the analysis of trends into marketing opportunities.

An environmental change may be interpreted as a threat or an opportunity, depending on the nature of an organization’s or a strategic business unit’s competitive position. Declining at-home per-capita coffee consumption is clearly an unfavorable trend and an environmental threat to coffee marketers. The marketers of soft drinks, however, will see this trend as an opportunity to sell more of their products by convincing consumers to drink cola in the morning. Effective managers analyze threatening situations and foresee problems that may result. Then they adapt their strategies in the hope of turning threats into opportunities. For example, after Stamps.com and E-stamps got approval from the U.S. Postal Service to market stamps on the Internet, Pitney Bowes, the leader in mechanical postage metering machines, had to adapt and develop digital postage software of its own.

Situation analysis is the diagnostic process of interpreting environmental conditions and changes in light of an organization’s ability to capitalize on potential opportunities and ward off problems. Situation analysis requires both environmental scanning and environmental monitoring so that the organization can
understand change. **Environmental scanning** is information gathering designed to detect indications of changes that may be beginning to develop. For example, by scanning the environment, Vanity Software Publishing determined that increased attention was being paid to repetitive stress injuries suffered by office workers who were spending long periods of time at their computers. In response, the company developed ErgoBreak for Office. ErgoBreak is a software package designed to interrupt, at regular intervals, whatever other program a worker is using. Periodically one of five cartoon characters appears on a worker’s computer screen and leads a short exercise to stretch out a body part that may have gone numb from manipulating a mouse or doing some other repetitive action.11

**Environmental monitoring** involves tracking certain phenomena, such as sales data and population statistics, to observe whether any meaningful trends are emerging. For example, data indicate that Americans’ breakfast eating habits are changing. The number of eggs consumed in the morning has declined dramatically in the last 20 years. People now focus on quick and easy meals. In particular, environmental monitoring shows that, as part of the trend toward simpler and more convenient breakfast food, bagel consumption has increased 150 percent in the last decade.12

Scanning and monitoring provide information that allows marketers to interpret environmental conditions and to determine the timing and significance of any changes. When these processes accomplish their purpose, situation analysis serves as both a warning system that alerts managers to environmental threats and an appraisal system that makes managers aware of the benefits associated with certain opportunities.

**SWOT Analysis** Situation analysis also requires an inward look at the organization. An organization should evaluate its internal strengths and weaknesses in relation to the external environment. You may find the acronym **SWOT**—which stands for internal strengths and weaknesses and external opportunities and threats—helpful in remembering that the purpose of situation analysis is to evaluate both the external environment and the internal environment.

Exhibit 2-6 illustrates how situation analysis involves both identifying environmental threats and opportunities and evaluating organizational strengths and weaknesses. Marketing managers consider environmental trends in light of organizational goals to determine the organization’s desired position—where it wants to be. Such an analysis allows the organization to assess its present situation. Chances are good that the desired position differs somewhat from the actual position. The difference between the two can be called the **strategic gap**. Planning is
STAGE 2: ANALYZING MARKET SEGMENTS AND SELECTING TARGET MARKETS

As stated in Chapter 1, a market is a group of individuals or organizations that are potential customers for the product being offered. There are many types of markets. The most fundamental way of distinguishing among them is on the basis of the buyer’s use of the good or service being purchased. When the buyer is an individual consumer who will use the product to satisfy personal or household needs, the good or service is a consumer product sold in the consumer market. When the buyer is an organization that will use the product to help operate its business (as when a furniture manufacturer purchases wood) or will resell the product (as when an office equipment wholesaler purchases a fax machine), the good or service is an organizational, or business, product sold in the organizational market, or business market.

A market segment is a portion of a larger market. Thus, African Americans constitute a segment of the total U.S. market. African Americans between the ages of 30 and 40 are a smaller, more narrowly defined segment. Female African Americans between the ages of 30 and 40 who use electric rather than gas stoves are a still smaller market segment. Market segments can be defined in terms of any number of variables from race or gender to air travel behavior. Market segmentation is the dividing of a heterogeneous mass market into a number of segments. The segments considered by analysts to be good potential customers for an organization’s product are likely to become the organization’s target markets—that is, the specific groups toward which the organization aims its marketing plan. Identifying and choosing targets, rather than trying to reach everybody, allows a marketer to tailor marketing mixes to a group’s specific needs. As the old adage states, “You can’t be all things to all people.” A firm selects a target market because it believes it will have a competitive advantage in that particular segment.

Market segmentation is such an important topic that it will be treated more fully in Chapter 8. Suffice it to say here that identifying and evaluating marketing opportunities (the first stage in the six-stage strategic marketing process) must be followed by a decision about where marketing efforts will be directed—that is, by market segmentation and targeting—before the next step, planning a market position and developing a marketing mix, can be undertaken.

STAGE 3: PLANNING A MARKET POSITION AND DEVELOPING A MARKETING MIX

Planning a market position and constructing a marketing mix is the third step in the development of a marketing strategy. After selecting a target market, marketing managers position the brand in that market and then develop a marketing mix to accomplish the positioning objective. Positioning relates to the way consumers think about all the competitors in a market. A market position, or competitive position, represents how consumers perceive a brand relative to its competition. Each brand appealing to a given market segment has a position in relation to competitors in the buyer’s mind. DiGiorno Rising Crust Pizza positions itself as comparable to pizzeria pizza rather than to other cook-at-home frozen pizzas. The company positions the pizza as being different from conventional frozen pizzas by emphasizing the pizza’s rising crust, which gives it a “fresh-baked taste.” Grasshoppers by Keds are positioned as inexpensive shoes for practical consumers—“If you feel the need to spend more on shoes, you could always buy two pairs.” The object of positioning is to determine what distinct position is appropriate for the product. Positioning will be discussed more fully in Chapter 8. At this point, however, you should recognize that an organization’s strategy for positioning its product relative to the competition will shape its marketing mix.
As mentioned in Chapter 1, developing a marketing mix requires planning the four Ps: product, price, promotion, and place (distribution). Much of the remainder of this book, especially Chapters 9 through 17, discusses what marketing mix elements are appropriate under varying circumstances. The blend of ingredients, as well as the relative importance of each element in the mix, may differ for different types of products and different positioning strategies.

**STAGE 4: PREPARING A FORMAL MARKETING PLAN**

The preparation of the formal marketing plan is the final planning stage of the strategic marketing process. A formal marketing plan is a written statement of the marketing objectives and strategies to be followed and the specific courses of action to be taken when (or if) certain future events occur. It outlines the marketing mix, explains who is responsible for managing the specific activities in the plan, and provides a timetable indicating when those activities must be performed. Certain aspects of the plan may ultimately be scrapped or modified because of changes in society or in other portions of the market environment. Establishing action-oriented objectives is a key element of the marketing plan. A marketing objective is a statement about the level of performance the organization, SBU, or operating unit intends to achieve. Objectives are more focused than goals because they define results in measurable terms.

Marketing plans may be categorized by their duration: long-term (5 or more years), medium-term (2 to 5 years), or short-term (1 year or less). Long-term marketing plans usually outline basic strategies for the strategic business unit’s growth. Most organizations prepare an annual marketing plan because marketing activities must be coordinated with annual financial plans and other budgetary plans that follow the fiscal year. (See Appendix B on our Web site, http://zikmundswcollege.com, for a more extensive discussion of business plans and marketing plans. See http://www.bplans.com for numerous business and marketing plans.)

**STAGE 5: EXECUTING THE MARKETING PLAN**

Once marketing plans have been developed and approved, they must be executed, or carried out. In fact, the words execute and execute both come from the Latin word meaning to “follow out” or “carry out.” Making a sales presentation, inspecting proofs of advertising copy, setting prices and discounts, and choosing transportation methods are all aspects of executing a marketing plan.

**Marketing plan**
A written statement of the marketing objectives and strategies to be followed and the specific courses of action to be taken when (or if) certain future events occur.

**Marketing objective**
A statement of the level of performance that an organization, SBU, or operating unit intends to achieve. Objectives define results in measurable terms.
Execution, or implementation, of a plan requires organizing and coordinating people, resources, and activities. Staffing, directing, developing, and leading subordinates are major activities used to implement plans. Clearly, the best marketing plans can fail if they are not properly executed. Speakers at sales meetings are fond of describing the salesperson who read every book on planning for success, spent every waking hour developing approaches to customers and getting all aspects of his sales career in perfect order, but who never sold a thing and was fired. Why? He never got out of the house to sell anything! Planning is extremely important, but it means little without execution.

An important aspect of the middle-level marketing manager’s job is to supervise the execution of the marketing plan. Translating the plan into action is a task delegated to operational managers and their staffs. Operational managers, such as a district sales manager or a manager of the jewelry department in a Nordstrom department store, plan activities that will support the business-level marketing strategy. They make specific plans that clearly set out the marketing tactics to be executed. For example, if the organization’s marketing plan sets a 25 percent increase in sales volume as an objective, the regional sales manager may plan to employ two additional sales representatives during the next month. Then the manager may implement the necessary marketing activities, such as hiring and training the new employees and directing their selling efforts, so that the objectives can be met. Mistakes may be made in the completion of any task. These mistakes—some minor, some perhaps unavoidable, but all damaging to some degree—are errors of execution. For example:

- Instructions on the front of Lite Way brand salad dressing packages read, “Just mix with water and cider vinegar.” On the reverse side of the package, the instructions read, “Mix with low-fat milk and cider vinegar.”
- A television commercial for a Cadillac Catera showed the car illegally crossing a double yellow line to pass.13
- The Iowa Department of Transportation inaccurately printed 1,700,000 maps identifying the Fort Dodge Correctional Facility (the state prison) as the Fort Dodge Recreational Facility.

We do not mean to be negative. Most marketing plans are properly executed. We do, however, want to emphasize that “the best-laid plans of mice and men” may go astray. Proper execution should never be taken for granted.
Lisa Sharples, her husband Cliff, and their good friend Jamie O’Neill had all taken professor Louis W. Stern’s marketing channels course at Northwestern University. They had learned to distinguish the supply chain—how a product physically moves from the supplier’s point of origin to end user—from the channel of distribution system in which ownership of a product changes hands from the producer to the buyer. After they graduated, all held the conviction that the Internet represented a potent new channel. At the time, few people had grasped its potential. “We said, ‘This is a medium that can provide a whole new set of services to the consumer,’” recalls O’Neill. “It was not just a way to distribute information more widely.”

In 1995, all up and quit their jobs at Trilogy Software Inc., in Austin, Texas, where the three had worked for only 10 weeks. On the morning after, the new partners gathered around a whiteboard in the Sharpleses’ garage and began brainstorming a design for the perfect Internet business. For months they lived off O’Neill’s Visa card and peanut-butter-and-jelly sandwiches. On Friday nights they would treat themselves to dinner at a local restaurant, the Iguana Grill, where margaritas salved the week’s wounds. The founders’ memories of that first summer are elemental. “It was hot, and we had no money,” says Lisa. They had the strategy. Now all they needed was the right business.

The three founders were looking for a fragmented market that they could consolidate before drawing the attention of another consolidator or category killer. “The idea was to find an industry where no one company had channel power,” says Lisa. They had to be able to source quality products and get them to customers quickly and reliably. They had to build a brand name. To guarantee repeat business they had to build a community, which meant producing an unending flow of content for their Web site. Customers would flock to the site like coffee drinkers drawn to the familiar environs of the neighborhood Starbucks.

They had to hit a grand slam by creating the category and building the brand at the same time. And they had to do it quickly and with limited funds before a larger competitor took note and threw ten times as much money into the niche.

While the founders searched for an appropriately fragmented industry, they also knew it could not be a commodity business. “We did not want to end up in a price war,” recalls Lisa. The surest way to protect margins was to provide an abundance of useful information, which, they hoped, would build trust and a sense of community and create a willingness on the part of buyers to pay a premium. Finally, they needed a business with strong repeat-purchasing patterns. “We needed to be able to remarket to the consumer,” says Lisa.

Throughout the long, hot summer, the names of various industries went up on the whiteboard, only to be erased once the partners started asking questions. One model they studied was that of Peapod, the Internet grocer, but they decided not to follow it, because food is a commodity business. They also looked at apparel but reasoned, “How much information do people really need when they buy a sweater?” according to Lisa.

One day, Lisa, who was interested in crafts, volunteered, “What about beads on-line?” “No,” came the reply. Then, free-associating, she asked, “What about seeds on-line?” “No.” “Wait a minute,” she said. None of the three was an avid gardener, but Lisa had relatives who gardened. The idea felt right to her. She announced she was taking off for the University of Texas business-school library, where she embarked on three days of research on the gardening industry. She returned with enough information to combat the skepticism of the other two partners. Gardening, she reported, was at least a $40-billion-a-year business. It was highly fragmented; no player accounted for more than 1 percent of the market. There were few national brands—for good reason:

### STAGE 6: CONTROLLING EFFORTS AND EVALUATING THE RESULTS

The purpose of managerial control is to ensure that planned activities are executed completely and properly. The first aspect of control is to establish acceptable performance standards. Control also requires investigation and evaluation. Investigation involves “checking up” to determine whether the activities necessary to the execution of the marketing plan are in fact being performed. Actual performance must then be assessed to determine whether organizational objectives have been met. Performance may be evaluated, for example, in terms of the number of sales calls made or new accounts developed. Sales and financial figures may also be judged to appraise individual or organizational successes.

Control activities provide feedback to alert managers, indicating whether to continue with plans and activities or to change them and take corrective action. Marketing executives may discover, by means of a control activity, that actions that were part of the marketing plan are not being carried out “in the field.” When this happens, either the marketing plan must be corrected to reflect environmental realities or the persons responsible for carrying out the plan must be more strongly motivated to achieve organizational goals.
A marketing audit is a comprehensive review and appraisal of the total marketing operation. It requires a systematic and impartial review of an organization’s recent and current operations and its marketing environment. The audit examines the company’s strengths and weaknesses in light of the problems and opportunities it faces. Because the marketing audit evaluates the effectiveness of marketing activities, it is often best performed by outside consultants or other unbiased personnel. The topic of managerial control, including a more extensive discussion of the marketing audit, is explored in Appendix C on our Web site.

INTERRELATIONSHIPS AMONG PLANNING, EXECUTION, AND CONTROL

Planning, execution, and control are closely interrelated. A consideration of the marketing environment leads to the formulation of marketing plans. These in turn must be executed. The execution of the plans must then be controlled through investigation and evaluation. The results or findings generated during the control phase provide a basis for judging both the marketing plans and their execution and serve as new inputs for further planning and execution. Thus, a series of logical steps is maintained, as shown in Exhibit 2-7.

A series of logical steps is maintained, as shown in Exhibit 2-7. Baby boomers had commandeered the hobby with a vengeance, but the industry had failed to change with the times. Most suppliers still operated as if gardening meant seeds arriving sometime in the spring and tomatoes being canned for winter. Yet gardening had become the new extreme sport for a graying generation. It was now about ordering ornamental fruit trees by mail and having them arrive, without fail, on Tuesday, because you were leaving on Wednesday on a three-day business trip.

Cliff refers to that cohort of high-octane, competitive gardeners as “the Pottery Barn generation”—people who are short on time, yet hungry for knowledge about how to do things in an artful way. “The interest is now about fashion, collection, and decoration,” he says. “It’s about designing your exterior space the way you would think about your interior space.”

Developing a proprietary company network designed to tie together the numerous gardening suppliers and the company that would be named Garden.com was perhaps the key concept in the 80-page business plan that the founders dropped on the desk of venture capitalist John Thornton, general partner at Austin Ventures, in the late summer of 1995. What the plan articulated was this: Gardening was a highly fragmented industry. No distributor had ever sought to tie suppliers together nationwide—as had been done in so many other industries—because the industry mind-set resisted it. Besides, the technology to do so had theretofore not existed. But O’Neill reasoned that with the Internet established, the technology hurdle had been cleared. So if a traditional industrial company could distribute drill bits and drywall sourced from a national supplier base, then why not asters and azaleas? After all, 10 percent of all plants sold were already purchased by mail order.

Garden.com’s strategy was simple but very ambitious: Find the best suppliers in each gardening category and sign them to exclusives. All of a supplier’s on-line sales would go through Garden.com. In return, the company would not sign up any direct competitors of that supplier. The company and its suppliers would be tied together by a proprietary “extranet” integrated with the muscle of Federal Express.

O’Neill says the idea was to make it seem to the consumer as though everything came out of a warehouse in Texas, when, in fact, it was being drop-shipped from multiple locations around the country. “The power is in the idea of tying all these niche growers together into a virtual store,” says O’Neill. “I got the Zen of that business model—and the customer reaction is awesome. A really well executed one-stop shop is an extremely powerful tool from the customer’s standpoint.”

And from the suppliers’ as well, O’Neill adds. “Instead of going in and saying, ‘You know, Mr. Grower, we demand x percent gross margin,’ we said, ‘We’ll spend all this money on marketing, on service calls, on finding new customers for you. Now, look at how much we save you by taking all this cost out, and we’ll base your gross margin on that. You can have an exclusive. In exchange, we are going to do a lot of work that needs to get done to make for a happy customer. We want a fair margin, but you will not spend a penny until we sell the first product.’”

Garden.com’s kinder, gentler approach was a carrot to its suppliers. The company also had, and still has, an offer-you-can–refuse mind-set. Garden.com has a mutual exclusivity to its suppliers. All of a supplier’s on-line sales would go to exclusives. The company and its suppliers would be tied together by a proprietary “extranet” integrated with the muscle of Federal Express.

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Marketing audit
A comprehensive review and appraisal of the total marketing operation, often performed by outside consultants or other unbiased personnel.
Planning, execution, and control of marketing strategy and tactics are also interrelated because each has ethical dimensions. Understanding the nature of marketing ethics is essential for anyone who plans to be a manager. The remainder of this chapter addresses this issue.

Managerial Ethics and Socially Responsible Behavior

In recent years, many highly publicized stories about organizations—and individuals in organizations—that did not act according to high ethical standards have appeared on television and in newspapers and magazines. For example, there was a barrage of criticism about the Exxon Valdez oil spill and the company’s efforts to reduce the damage to the Alaskan environment. And marketers of batteries received so much criticism about the mercury, cadmium, and other toxic metals in batteries that Energizer virtually eliminated mercury from its Green Power batteries, while other battery marketers began to package toxic batteries in such a way that they could be returned to the manufacturer for recycling.

Social responsibility

The ethical principle that a person or an organization must become accountable for how its acts might affect the interests of others.

In order to be socially responsible, an organization must acknowledge a responsibility broader than its legal responsibility.

Society clearly expects marketers to obey the law, but in order to be socially responsible, an organization must acknowledge a responsibility broader than its legal responsibility. Social responsibility refers to the ethical principle that a person or an organization must become accountable for how its acts might affect the interests of others. Every marketing manager makes decisions that have ethical implications.
The Nature of Ethics

Ethics involves values about right and wrong conduct. Marketing ethics are the principles that guide an organization’s conduct and the values it expects to express in certain situations. In the marketing context, moral behavior is individual or organizational activity that exhibits ethical values.

Ethical principles reflect the cultural values and norms of a society. Norms suggest what ought to be done under given circumstances. They indicate approval or disapproval, what is good or bad. Many norms in Western society are based on the Judeo-Christian ethic. Being truthful is good. Being fair—doing unto others as you would have them do unto you—meets with approval. Other norms have a utilitarian base. Norms may arise from a concern about the consequences of one’s actions: “You ought to obey product safety laws, or you may go to jail.” Norms may also arise from expectations about how society should function: “It is good that a company’s shareholders receive its profits, because profits are the shareholders’ reward for investment and risk taking.”

Some ethical principles of personal conduct dictated by broad norms have direct counterparts in marketing actions. Being truthful, a societal norm, and avoiding deceptive, untruthful advertising are closely linked. Where such clear-cut links

Marketing ethics
The principles that guide an organization’s conduct and the values it expects to express in certain situations.

Moral behavior
Individual or organizational marketing activity that embodies the ethical values to which the individual or organization subscribes.

Norm
A social principle identifying what action is right or wrong in a given situation.

The Lorax? Has the Lorax, Dr. Seuss’s curmudgeonly woodlands character “who speaks for the trees,” sold out to logging interests? That’s what the Heritage Forest Campaign charged in a letter sent to Dr. Seuss Enterprises, the organization that licenses use of Dr. Seuss characters.

Seuss’s cartoon creature is being used on the Web to solicit schoolchildren’s money for American Forests, a national conservation group based in Washington, D.C. For $2.95, children can become “Lorax Helpers” and have a tree planted in their names in the Dr. Seuss Lorax Forest, part of a project to replace South Carolina trees destroyed by hurricane Hugo (go to http://www.randomhouse.com/seussville and then click on “Games”). The Heritage Forest Campaign, another Washington-based environmental group, says the American Forests board includes representatives from logging companies that favor clear-cutting of forests—a practice Heritage officials say would have irked Dr. Seuss (Theodore Geisel), who died in 1991.

Champion International Corp., a major logging concern that uses the controversial technique, is represented on American Forests’ board, and R. Neil Sampson, a senior fellow at the group, urged that clear-cutting remain “a management option” in congressional testimony in 1994.

In the 1971 children’s book, the Lorax confronted loggers about forest destruction: “Sir! You are crazy with greed.” Ken Rait, director of the Heritage Forest Campaign, wrote to Susan O’Sullivan, vice president of marketing and licensing at Dr. Seuss Enterprises, worried that trees planted in the American Forests project might ultimately be cut by its corporate supporters. “Will you free the Lorax, so that he can once again speak for the trees?” Rait wrote.

O’Sullivan defends the licensing decision as a sound one. “American Forests is a wonderful organization,” she says. “It has wonderful projects and one we’re very proud of.” American Forests spokesman Craig Nobel says the group “supports limits on the size of clear-cuts, and the purpose of [its reforestation effort] is not future timber product.”

American Forests is the country’s oldest nonprofit citizen conservation group. But the Heritage Forest Campaign thinks the organization isn’t “green” enough for an icon like the Lorax to hook up with. In the famous Seuss story, however, it is business interests—represented by the “Once-ler”—that are swayed by the Lorax and ultimately pass out seedlings and propagate his creed: “The word of the Lorax seems perfectly clear. Unless someone like you cares a whole awful lot, nothing is going to get better. It’s not.”

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exist, the expected moral behavior is relatively clear. Some actions, such as murder-
dering a competitor, are so noticeably contrary to societal norms that they would be morally indefensible in all circumstances. Although morally acceptable behavior may be clear-cut in many circumstances, in others, determining what is ethical is a complicated matter open to debate.

RESOLVING ETHICAL DILEMMAS

An ethical dilemma, for a marketer, is a predicament in which the marketer must resolve whether an action that benefits the organization, the individual decision maker, or both may be considered unethical. An ethical dilemma may arise when two principles or values are in conflict. It may be that a corporation president values both high profits and—like most people in society in general—a pollution-free environment. When one of these values or preferences in any way inhibits the achievement of the other, the business person is faced with an ethical dilemma. Problems also arise when others do not share the principles or values that guide a marketer’s actions. Consider these questions: Is it wrong to pay a bribe in a foreign country where bribery is a standard business practice? Should the Brooklyn Museum avoid showing an art exhibit if its anti-religious overtones offend certain museum-goers but not others? How a marketer answers these questions involves resolving ethical dilemmas.

In many situations, individuals agree on principles or values but have no fixed measure by which to judge actions. An engineer can calculate exactly how strong a steel girder is and a chemist can usually offer the right formulation of chemicals necessary to perform a task, but the business executive often cannot be so precise. Even in instances when specific laws would seem to guide action, the laws and their application may be subject to debate. Although marketers and other business people often pride themselves on their rational problem-solving abilities, the lack of permanent, objective ethical standards for all situations continues to trouble the person seeking the ethical course of action in business.

Thus, there rarely is an absolute consensus on what constitutes ethical behavior. Different people, and even a single person, can evaluate a question from several different perspectives. For example, the belief that smoking is injurious to health has led to regulations that restrict smoking in airplanes and other public places and ban cigarette commercials from radio and television. Yet to some, this is a controversial matter. Of course, good health is important, but what about a restaurant’s desire to give cigar smokers freedom of choice?

In general, when marketing decision makers encounter ethical dilemmas, they consider the impact of the organization’s actions and operate in a way that balances the organization’s short-term profit needs with society’s long-term needs. For example, a cookie marketer, such as Keebler, knows that people buy cookies because they taste good. It also knows certain inexpensive cooking oils that enhance taste are not as low in saturated fat as other, more expensive ingredients. The company may conduct extensive research to find a way to reformulate the cookies by changing to more healthful ingredients while maintaining the cookies’ good taste. More specifically, marketers must ask what is ethical in a particular situation. They must establish the facts of the situation and determine if their plans are compatible with the organization’s ethical values. They must determine at what point certain marketing practices become ethically questionable. Is it ethical for a sales representative to pay for a purchasing agent’s lunch? To give the purchasing agent a gift on his or her birthday? To arrange for an all-expenses-paid vacation for the agent if the sales representative’s company gets a big contract? To help marketers act in a socially responsible manner, President John F. Kennedy outlined the consumer’s basic rights: the right to be informed, the right to safety, the right to choose, and the right to be heard. Since Kennedy’s pronouncement, others have argued that consumers have other rights, such as the right to privacy and the right to a clean and healthy environment. Arguments have been made that children have special rights because they have not developed mature reasoning powers.
Members of the American Marketing Association (AMA) are committed to ethical professional conduct. They have joined together in subscribing to this Code of Ethics embracing the following topics:

**Responsibilities of the Marketer**
Marketers must accept responsibility for the consequences of their activities and make every effort to ensure that their decisions, recommendations, and actions function to identify, serve, and satisfy all relevant publics: consumers, organizations and society. Marketers' professional conduct must be guided by:
1. The basic rule of professional ethics: not knowingly to do harm;
2. The adherence to all applicable laws and regulations;
3. The accurate representation of their education, training and experience; and
4. The active support, practice and promotion of this Code of Ethics.

**Honesty and Fairness**
Marketers shall uphold and advance the integrity, honor, and dignity of the marketing profession by:
1. Being honest in serving consumers, clients, employees, suppliers, distributors and the public;
2. Not knowingly participating in conflict of interest without prior notice to all parties involved; and
3. Establishing equitable fee schedules including the payment or receipt of usual, customary and/or legal compensation for marketing exchanges.

**Rights and Duties of Parties**
Participants in the marketing exchange process should be able to expect that:

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<td>1. Products and services offered are safe and fit for their intended uses;</td>
<td>• Disclosing the full price associated with any purchase</td>
</tr>
<tr>
<td>2. Communications about offered products and services are not deceptive;</td>
<td>In the area of marketing research:</td>
</tr>
<tr>
<td>3. All parties intend to discharge their obligations, financial and otherwise, in good faith; and</td>
<td>• Prohibiting selling or fund raising under the guise of conducting research</td>
</tr>
<tr>
<td>4. Appropriate internal methods exist for equitable adjustment and/or redress of grievances concerning purchases.</td>
<td>• Maintaining research integrity by avoiding misrepresentation and omission of pertinent research data</td>
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It is understood that the above would include, but is not limited to, the following responsibilities of the marketer:

- In the area of product development and management:
  - Disclosure of all substantial risks associated with product or service usage
  - Identification of any product component substitution that might materially change the product or impact on the buyer's purchase decision
  - Identification of extra-cost added features

- In the area of promotions:
  - Avoidance of false and misleading advertising
  - Rejection of high pressure manipulation, or misleading sales tactics
  - Avoidance of sales promotions that use deception or manipulation

- In the area of distribution:
  - Not manipulating the availability of a product for purpose of exploitation
  - Not using coercion in the marketing channel
  - Not exerting undue influence over the resellers' choice to handle a product

- In the area of pricing:
  - Not engaging in price fixing
  - Not practicing predatory pricing

Rights like these are embodied in organizations’ and associations’ codes of conduct. A code of conduct establishes a company’s or a professional organization’s guidelines with regard to its ethical principles and what behavior it considers proper. The American Marketing Association’s Code of Ethics appears in Exhibit 2-8.
Following a code of conduct helps resolve some ethical dilemmas but not others. Many ethical dilemmas involve issues that are not black and white, and individuals often have to resolve such dilemmas by using their own judgment, based on their own ethical values. The checklist that follows offers some good general advice about considering ethical dilemmas.21

1. Recognize and clarify the dilemma.
2. Get all possible facts.
3. List the options—all of them.
4. Test each option by asking “Is it legal? Is it right? Is it beneficial?”
5. Make your decision.
6. Double-check your decision by asking “How would I feel if my family found out about this? How would I feel if my decision were printed in the local newspaper?” Do you still feel you made the correct decision?
7. Take the action if warranted.

ETHICAL DIMENSIONS OF MARKETING STRATEGY

It should be clear by now that ethical values influence many aspects of marketing strategy.22

Throughout this book, you will see that laws and ethical considerations can affect every aspect of an organization’s marketing mix, which, in turn, can influence the level of its profits. Similarly, ethical considerations can play a part in the development and implementation of that mix. Exhibit 2-9 presents some ethical questions that may be raised concerning the four major elements of the marketing mix. In considering them, remember that ethical issues are philosophical in nature and that not everyone may agree on solutions to ethical dilemmas.23 However, there has been an undeniable trend toward broadening the social responsibility of marketing organizations beyond their traditional role as economic forces.

Selected Ethical Questions Related to the Marketing Mix

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<tr>
<th>PRODUCT</th>
<th>PROMOTION</th>
<th>PRICE</th>
<th>DISTRIBUTION</th>
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<tbody>
<tr>
<td>Who must accept responsibility for an injury caused by a product that was used improperly?</td>
<td>Can advertising persuade consumers to purchase products that they don’t really want?</td>
<td>Should pricing laws protect consumers or protect small business?</td>
<td>Should modern shopping malls be built in low-income areas?</td>
</tr>
<tr>
<td>Is the package a source of unnecessary environmental pollution?</td>
<td>What effect does advertising have on children?</td>
<td>Do the poor really pay more?</td>
<td>If a retailer wishes to carry only one of a manufacturer’s products, should the manufacturer be able to force the retailer to carry all of its products?</td>
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Summary

This chapter discusses marketing strategy and tactics and explains how marketing managers must plan, execute, and control the organization’s marketing activities.

1) Differentiate between marketing strategy and marketing tactics.

A strategy is a long-range plan to determine what basic goals and objectives will be pursued and how they will be achieved in the time available. A strategy entails a commitment to certain courses of action and allocation of the resources necessary to achieve the identified goals. Tactics are specific actions intended to implement strategy.
2) Discuss the role of marketing planning at the corporate level, at the strategic business unit level, and at the operational level of management.

Top management engages in strategic planning to determine long-term goals for the entire organization. Managers at the strategic business unit level plan strategies for the business unit and for individual products. Operational managers are concerned with planning and executing the day-to-day activities of the organization.

3) Understand the concept of the organizational mission.

An organizational mission is a statement of a company’s purpose. It explains why an organization exists and what it hopes to accomplish.

4) Understand the nature of a competitive advantage.

A business or product that is superior to or favorably different from its competitors in a way that is important to the market has a competitive advantage. It may offer the same quality at lower cost or some unique feature, for example.

5) Understand the importance of total quality management strategies in product differentiation.

Adopting a total quality management strategy is one of the most common ways marketers differentiate their products. They do this by adjusting marketing strategy to assure that their products offer customers better quality and thus greater satisfaction than competitors’ products.

6) Discuss demarketing.

In general, marketers engage in demarketing when a product is in short supply. It is a marketing strategy intended to diminish demand while maintaining consumer satisfaction during the shortage period.

7) Explain the market/product matrix.

The market/product matrix broadly categorizes the opportunities of a strategic business unit in terms of strategies for growth. The four strategies are market penetration, market development, product development, and product diversification.

8) Identify the stages in the strategic marketing process.

The strategic marketing process includes the following six stages:

1. Identifying and evaluating opportunities
2. Analyzing market segments and selecting target markets
3. Planning a market position and developing a marketing mix
4. Preparing a formal marketing plan
5. Executing the plan
6. Controlling efforts and evaluating results

9) Describe marketing objectives and marketing plans.

Marketing objectives are statements about the level of performance the organization, strategic business unit, or operating unit intends to achieve. Marketing plans are written statements of the marketing objectives and strategies to be followed and the specific courses of action to be taken when (or if) certain events occur.

10) Discuss the concept of positioning.

Each product occupies a position in the consumer’s mind relative to competing products. A key marketing objective is to determine what position the company wishes a given product to occupy. Positioning is accomplished through the development and implementation of a marketing mix.

11) Understand the nature of marketing ethics and socially responsible behavior.

Social responsibility refers to the ethical principle that people or organizations must be accountable for how their acts might affect the interests of others. Ethics involves values about right and wrong conduct. Marketing ethics are the principles that guide an organization’s conduct and the values it expects to express in certain situations. Moral behavior on the part of marketers is activity that exhibits ethical values. Ethical principles reflect the cultural values and norms of a society. Marketing decisions often have ethical dimensions and may involve ethical dilemmas.

Key Terms

- business model (p. 35)
- code of conduct (p. 51)
- competitive advantage (p. 36)
- consumer market (p. 43)
- control (p. 46)
- cross-functional team (p. 38)
- demarketing (p. 38)
- differentiation strategy (p. 37)
- diversification (p. 40)
- environmental monitoring (p. 42)
- environmental scanning (p. 42)
- ethical dilemma (p. 50)
- execution (p. 45)
- market development (p. 39)
- market penetration (p. 39)
- market position, or competitive position (p. 43)
- market/product matrix (p. 39)
- market segment (p. 43)
- market segmentation (p. 43)
- marketing audit (p. 47)
- marketing ethics (p. 49)
- marketing management (p. 30)
- marketing myopia (p. 35)
- marketing objective (p. 44)
- marketing plan (p. 44)
- marketing strategy (p. 31)
- moral behavior (p. 49)
- norm (p. 49)
- operational planning (p. 33)
- organizational market, or business market (p. 43)
- organizational mission statement (p. 34)
- planning (p. 32)
- positioning (p. 43)
- price leadership strategy (p. 37)
- product development (p. 40)
- situation analysis (p. 41)
Questions for Review & Critical Thinking

1. What are the three major tasks of marketing management?
2. Distinguish between a strategy and a tactic.
3. Based on some of Pepsi’s print and television ads, what do you think the company’s marketing strategy is?
4. Why are marketing planning activities important?
5. Describe your interpretation of the organizational missions of several corporations or non-profit organizations (perhaps Toshiba, Digital Equipment Corporation, Walt Disney Productions, Eastman Kodak, and Ford Motor Company).
6. Several corporate slogans are listed below. Discuss how each reflects a corporate mission.
   a. FedEx: “When it absolutely, positively has to be there overnight.”
   b. Panasonic: “Just slightly ahead of our time.”
   c. Lexus: “The relentless pursuit of perfection.”
   d. The Equitable Financial Companies: “We have great plans for you.”
   e. Raytheon: “Where quality starts with fundamentals.”
   f. Disney: “Using our imagination to bring happiness to millions.”
   g. Merck: “To preserve and improve life.”
7. What is a strategic business unit? What are the basic growth strategies for SBUs?
8. What is the role of total quality management in marketing strategy?
9. What is competitive advantage? Suppose you were the marketing manager for Saturn automobiles. What marketing strategies would you develop to compete with imports?
10. Is it possible for two competing companies to have the same goal but to use different marketing strategies to reach the goal?
11. Describe the stages in the strategic marketing process.
12. What is positioning? How is Dr Pepper positioned relative to Coke and Pepsi?
13. Choose a retail store or a manufacturing company in your local area. Study the company and identify its marketing plan. In your opinion, is the plan a sound one? Is it being executed well or poorly? Give evidence to support your answers.
15. What are marketing ethics?
16. What are some examples of socially responsible behavior and socially irresponsible behavior?
17. How do codes of conduct help marketers make strategic decisions?
18. Discuss how marketing managers might work in teams with managers of other functional areas, such as production, in planning a marketing strategy.

http://zikmund.swcollege.com
Ethically Right or Wrong?
The major television networks have established a “white coat” rule, which forbids medical professionals and actors portraying them from appearing in commercials. So when Chesebrough-Ponds, a unit of the Anglo-Dutch company Unilever, introduced Mentadent, a fluoride toothpaste with baking soda and peroxide, it used television commercials featuring real people who were married to dentists. The advertising objective was to educate consumers about Mentadent’s unique ingredients and to communicate the dental community’s acceptance of the product. The dentists’ wives (and one husband) told how their spouses had recommended baking soda and peroxide for years and now recommended Mentadent. Mentadent gained a market share of approximately 5 percent in its first year.

QUESTIONS
1. Why do you think the networks have established the “white coat” rule?
2. By using dentists’ spouses, did Chesebrough-Ponds sidestep the networks’ codes of ethics?

TAKE A STAND
1. Many critics say that Wendy’s should stop wrapping its products in packages that just end up littering the neighborhood. Do you agree?
2. Do you think that tobacco companies should be put out of business because their products cause cancer and other health problems and annoy many people who do not smoke?
3. Government could do more to control television programs considered by some to be offensive (such as those on the Playboy TV network) and recordings judged by some to be obscene (like those of Snoop Doggy Dogg). Take a stand.
4. It’s been said that people learn ethical principles at home. Can a business teach ethical behavior?
5. A North Dakota aquaculture researcher is raising a freshwater variety of red claw lobsters in the hope of creating a market for the product. The red claw lobster is not as large as the saltwater Maine lobster—in fact, it is actually a large Australian crayfish. If the North Dakota lobsters weigh at least 6 ounces, the law allows them to be marketed as lobsters. Would it be ethical to market these as lobsters without mentioning that they were not real lobsters?
VIDEO CASE 2-1

Second Chance Body Armor

Second Chance manufactures and markets modern, wearable, concealable body armor for law enforcement officers around the world. The general public typically refers to the company’s products as “bulletproof” vests. A more detailed description of Second Chance’s products can be viewed at http://www.secondchance.com.

Second Chance’s mission statement appears below.24

THE SECOND CHANCE BODY ARMOR MISSION STATEMENT
Second Chance is the inventor and world’s most successful manufacturer of modern, wearable, concealable body armor. Our “bulletproof” vests save more lives every year than any other manufacturer. For over twenty-five years . . . through five generations of technology, . . . Second Chance vests have been distinguished by their superb design, superior wearability, guaranteed fit, high value, and flawless field performance.

But concealable body armor is not all we excel in. Our unsurpassed tactical/special-purpose armor jackets, extraordinary new anti-puncture Corrections vests, and rough stock Rodeo protective vests are also important examples of how we deliver on our personal protection mission.

Safety has always been our number one priority! Second Chance views its unequalled lifesaving history as both a challenge and a responsibility. The challenge is to continuously improve our products and services, so that more lives can be saved. As the industry leader, our responsibility is to always merit all our customers’ trust . . . to set the best examples for others.

To achieve our personal protection mission we have established these Operating Principles:

1. Constant focus on meeting and/or exceeding each individual customer’s needs.
2. World leadership in product designs, high value and competitive prices.
3. Unimpeachable market conduct and integrity; truthful, ethical product representation.
4. Unsurpassed, continuously improving quality, in all facets of our operation.
5. Minimum organizational structure; maximum participatory management.
7. Individual empowerment; positive, stimulating work environment.
8. Strong supplier partnerships that optimize product wearability and performance.
9. Fair and reasonable profits that support jobs, R&D growth, and diversification.
10. Corporate citizenship, officer safety education, and appropriate public sector relations.

QUESTIONS
1. Evaluate the Second Chance mission statement. Does it give the reader a clear idea about the company’s philosophy?
2. How important are marketing growth strategies for a small- to medium-sized company like Second Chance?
VIDEO CASE 2-2

Ben & Jerry’s (A)

Ben & Jerry’s Homemade, Inc., the Vermont-based manufacturer of ice cream, frozen yogurt, and sorbet, was founded in 1978 in a renovated gas station in Burlington, Vermont, by childhood friends Ben Cohen and Jerry Greenfield, with a $12,000 investment ($4,000 of which was borrowed). They soon became popular for their innovative flavors, made from fresh Vermont milk and cream. The company currently distributes ice cream, low fat ice cream, frozen yogurt, sorbet, and novelty products nationwide as well as in selected foreign countries in supermarkets, grocery stores, convenience stores, franchised Ben & Jerry’s scoop shops, restaurants, and other venues.

Ben & Jerry’s gives away 7.5 percent of its pre-tax earnings in three ways: through the Ben & Jerry’s Foundation, through employee Community Action Teams at five Vermont sites, and through corporate grants made by the Director of Social Mission Development. The company supports projects that are models for social change—projects that exhibit creative problem solving and hopefulness. The Foundation is managed by a nine-member employee board and considers proposals relating to children and families, disadvantaged groups, and the environment.

In 1988 Ben & Jerry’s Homemade, Inc. created a document called the 

Statement of Mission.

STATEMENT OF MISSION

Ben & Jerry’s is dedicated to the creation and demonstration of a new corporate concept of linked prosperity. Our mission consists of three interrelated parts. Underlying the mission is the determination to seek new and creative ways of addressing all three parts, while holding a deep respect for individuals inside and outside the company, and for the communities of which they are a part.

Product To make, distribute and sell the finest quality all natural ice cream and related products in a wide variety of innovative flavors made from Vermont dairy products.

Economic To operate the Company on a sound financial basis of profitable growth, increasing value for our shareholders, and creating career opportunities and financial rewards for our employees.

Social To operate the Company in a way that actively recognizes the central role that business plays in the structure of society by initiating innovative ways to improve the quality of life of a broad community—local, national, and international.25

QUESTION

1. Ben & Jerry’s mission links product, economic, and social issues. Is this a practical business strategy?