

# Principles of Marketing

**Company and Marketing  
Strategy: Partnering to Build  
Customer Relationships**

# Learning Objectives

After studying this chapter, you should be able to:

1. Explain companywide strategic planning in its four steps
2. Discuss how to design business portfolios and develop growth strategies
3. Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value
4. Describe the elements of a customer-driven marketing strategy and mix, and the forces that influence it
5. List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring return on marketing investment

# Chapter Outline

---

1. **Companywide Strategic Planning: Defining Marketing's Role**
2. **Planning Marketing: Partnering to Build Customer Relationships**
3. **Marketing Strategy and the Marketing Mix**
4. **Managing the Marketing Effort**
5. **Measuring and Managing Return on Marketing Investment**

# Companywide Strategic Planning: Defining Marketing's Role

---

## *Strategic Planning*

**Strategic planning** is the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities

# Companywide Strategic Planning: Defining Marketing's Role

---

## *Defining a Market-Oriented Mission*

**Mission statement:** The organization's purpose, what it wants to accomplish in the larger environment

**Market-oriented mission statement:**  
Defines the business in terms of satisfying basic customer needs

# Companywide Strategic Planning: Defining Marketing's Role

---

## *Setting Company Objectives and Goals*

- Business objectives
- Marketing objectives

# Companywide Strategic Planning: Defining Marketing's Role

---

## *Designing the Business Portfolio*

**The business portfolio** is the collection of businesses and products that make up the company

# Companywide Strategic Planning: Defining Marketing's Role

---

## *Analyzing the Current Business Portfolio*

**Analyzing the current business portfolio** is the process by which management evaluates the products and businesses making up the company



# Companywide Strategic Planning: Defining Marketing's Role

---

## *Steps in Analyzing the Current Business Portfolio*

1. Identify key businesses making up the company
2. Assess the attractiveness of its various SBUs
3. Decide how much support each SBU deserves

# Companywide Strategic Planning: Defining Marketing's Role

## *Steps in Analyzing the Current Business Portfolio*

Identify key businesses making up the company

- **Strategic business unit (SBU)** is a unit of the company that has a separate mission and objectives that can be planned separately from other company businesses
  - Company division
  - Product line within a division
  - Single product or brand

# Companywide Strategic Planning: Defining Marketing's Role

---

## *Steps in Analyzing the Current Business Portfolio*

Assess the attractiveness of various SBUs and  
decide how much support each deserves

# Companywide Strategic Planning: Defining Marketing's Role

## *Analyzing the Current Business Portfolio The Boston Group Approach*

**Growth share matrix** is a portfolio planning method that evaluates a company's strategic business units in terms of their market growth rate and relative share

Strategic business units are classified as:

- Stars
- Cash Cows
- Question marks
- Dogs

# Companywide Strategic Planning: Defining Marketing's Role

---

## *Analyzing the Current Business Portfolio* *The Boston Group Approach*

**Stars** are high-growth, high-share businesses or products requiring heavy investment to finance rapid growth. They will eventually turn into cash cows.

**Cash cows** are low-growth, high-share businesses or products that are established and successful SBUs requiring less investment to maintain market share

# Companywide Strategic Planning: Defining Marketing's Role

---

## *Analyzing the Current Business Portfolio* *The Boston Group Approach*

**Question marks** are low-share business units in high-growth markets requiring a lot of cash to hold their share

**Dogs** are low-growth, low-share businesses and products that may generate enough cash to maintain themselves but do not promise to be large sources of cash

# Companywide Strategic Planning: Defining Marketing's Role

---

## *Analyzing the Current Business Portfolio Problems with Matrix Approaches*

- Difficulty in defining SBUs and measuring market share and growth
- Time consuming
- Expensive
- Focus on current businesses, not future planning

# Companywide Strategic Planning: Defining Marketing's Role

---

*Developing Strategies for Growth and Downsizing*

**Product/market expansion grid** is a tool for identifying company growth opportunities through market penetration, market development, product development, or diversification



# Companywide Strategic Planning: Defining Marketing's Role

---

## *Developing Strategies for Growth and Downsizing*

- Product/market expansion grid strategies
  - Market penetration
  - Market development
  - Product development
  - Diversification

# Companywide Strategic Planning: Defining Marketing's Role

---

## *Developing Strategies for Growth and Downsizing*

**Market penetration** is a growth strategy increasing sales to current market segments without changing the product

**Market development** is a growth strategy that identifies and develops new market segments for current products

# Companywide Strategic Planning

## Defining Marketing's Role

---

*Developing Strategies for Growth and Downsizing*

**Product development** is a growth strategy that offers new or modified products to existing market segments

**Diversification** is a growth strategy through starting up or acquiring businesses outside the company's current products and markets

# Companywide Strategic Planning

## Defining Marketing's Role

---

*Developing Strategies for Growth and Downsizing*

**Downsizing** is the reduction of the business portfolio by eliminating products or business units that are not profitable or that no longer fit the company's overall strategy

# Planning Marketing: Partnering to Build Customer Relationships

---

## *Partner Relationship Management*

**Partner relationship management** is the process of working closely with partners in other company departments to form an effective value chain that serves the customer, as well as partnering effectively with other companies in the marketing system to form a competitively superior value-delivery network

# Planning Marketing: Partnering to Build Customer Relationships

## *Partnering with Other Company Departments*

**Value chain** is a series of departments that carry out value-creating activities to design, produce, market, deliver, and support a firm's products

# Planning Marketing: Partnering to Build Customer Relationships

*Partnering with Others in the Marketing System*

**Value delivery network** is made up of the company, suppliers, distributors, and ultimately customers who partner with each other to improve performance of the entire system

# Marketing Strategy and the Marketing Mix

---

## *Marketing Strategy*

**Marketing strategy** is the marketing logic by which the business unit hopes to achieve its marketing objectives



# Marketing Strategy and the Marketing Mix

---

## *Customer-Driven Marketing Strategy*

**Market segmentation** is the division of a market into distinct groups of buyers who have distinct needs, characteristics, or behavior and who might require separate products or marketing mixes

# Marketing Strategy and the Marketing Mix

---

## *Customer-Driven Marketing Strategy*

**Market segment** is a group of consumers who respond in a similar way to a given set of marketing efforts

**Target marketing** is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter

# Marketing Strategy and the Marketing Mix

---

## *Customer-Driven Marketing Strategy*

**Market positioning** is the arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of the target consumer

# Marketing Strategy and the Marketing Mix

---

## *Developing an Integrated Marketing Mix*

**Marketing mix** is the set of controllable tactical marketing tools—**p**roduct, **p**rice, **p**lace, and **p**romotion—that the firm blends to produce the response it wants in the target market

# Marketing Strategy and the Marketing Mix

---

## *Developing an Integrated Marketing Mix* *The four Ps*

- **P**roduct
- **P**rice
- **P**lace
- **P**romotion

# Marketing Strategy and the Marketing Mix

---

## *Developing an Integrated Marketing Mix*

### *The four Ps*

**Product** is the goods and services in combination that the company offers to the target market

**Price** is the amount of money customers have to pay to obtain the product

# Marketing Strategy and the Marketing Mix

---

## *Developing an Integrated Marketing Mix*

### *The four Ps*

**Place** is the company activities that make the product available to target customers

**Promotion** is the activities that communicate the merits of the product and persuade target customers to buy it

# Marketing Strategy and the Marketing Mix

## *Developing an Integrated Marketing Mix*

### *The 4 Ps*      *versus*      *The 4 Cs*

Product

Customer solution

Price

Customer cost

Place

Convenience

Promotion

Communication



# Managing the Marketing Effort

Managing the marketing effort requires:

- Analysis
- Planning
- Implementing
- Controlling

# Managing the Marketing Effort

## *Marketing Analysis*

**Analysis** is the complete analysis of the company's situation in a **SWOT** analysis that evaluates the company's:

- **Strengths**
- **Weaknesses**
- **Opportunities**
- **Threats**

# Managing the Marketing Effort

## *Marketing Analysis*

**S**trengths include internal capabilities, resources, and positive situational factors that may help to serve company customers and achieve company objectives

**W**eaknesses include internal limitations and negative situational factors that may interfere with company performance

# Managing the Marketing Effort

---

## *Marketing Analysis*

**O**pportunities are favorable factors or trends in the external environment that the company may be able to exploit to its advantage

**T**hreats are unfavorable factors or trends that may present challenges to performance

# Managing the Marketing Effort

## *Market Planning*

**Planning** is the development of strategic and marketing plans to achieve company objectives

**Marketing strategy** consists of the specific strategies for target markets, positioning, the marketing mix, and marketing expenditure levels

# Managing the Marketing Effort

## *Market Planning*

Sections of a marketing plan include:

- Executive summary
- Current marketing situation
- Threats and opportunities
- Objective and issues
- Action programs
- Budgets
- Controls

# Managing the Marketing Effort

## *Marketing Implementation*

**Implementing** is the process that turns marketing plans into marketing actions to accomplish strategic marketing objectives

Successful implementation depends on how well the company blends its people, organizational structure, decision and reward system, and company culture into a cohesive action plan that supports its strategies

# Managing the Marketing Effort

## *Marketing Department Organization*

- Functional
- Geographic
- Product
- Market or customer management



# Managing the Marketing Effort

## *Marketing Department Organization*

**Functional organization:** This is the most common form of marketing organization with different marketing functions headed by a functional specialist

- Sales manager
- Market research manager
- Customer service manager
- New product manager

# Managing the Marketing Effort

## *Marketing Department Organization*

**Geographic organizations:** Useful for companies that sell across the country or internationally. Managers are responsible for developing strategies and plans for a specific region.

**Product Management:** Useful for companies with different products or brands. Managers are responsible for developing strategies and plans for a specific product or band.

# Managing the Marketing Effort

## *Marketing Department Organization*

**Market or customer management organization:** Useful for companies with one product line sold to many different markets and customers. Managers are responsible for developing strategies and plans for their specific markets or customers.

# Managing the Marketing Effort

## *Marketing Department Organization*

**Customer management** involves a customer focus and not a product focus for managing customer profitability and customer equity

# Managing the Marketing Effort

## *Marketing Control*

**Controlling** is measuring and evaluating results and taking corrective action as needed

- Operating control
- Strategic control

# Managing the Marketing Effort

---

## *Marketing Control*

**Operating control** involves checking ongoing performance against annual plan and taking corrective action as needed

**Strategic control** involves looking at whether the company's basic strategies are well matched to its opportunities

# Managing the Marketing Effort

## *Marketing Control*

**Marketing audit** is a comprehensive, systematic, independent, and periodic examination of a company's environment, objectives, strategies, and activities to determine problem areas and opportunities

# Measuring and Managing Return on Marketing Investment

---

## *Return on Marketing Investment (ROI)*

### **Return on marketing investment (ROI)**

is the net return from a marketing investment divided by the costs of the marketing investment. Marketing ROI provides a measurement of the profits generated by investments in marketing activities.



# Measuring and Managing Return on Marketing Investment

---

## *Customer-Centered Measures*

- Customer acquisition
- Customer retention
- Customer lifetime value