

Planning a Marketing Strategy

GOALS

- Understand how the marketing concept transforms business planning.
- Explain the importance of market segments and market opportunity analysis.
- Discuss how businesses develop the right marketing mix.

KEY TERMS

- strategy, p. 96
- market segments, p. 99
- market opportunity analysis, p. 100
- target market, p. 100

marketing matters

When businesses use the marketing concept, the planning process is in many ways turned on its head. Instead of starting with a product or service and then looking for customers who are willing and able to buy it, a business starts by researching potential customers and their needs. Only then does it move on to planning the product. Even then the product is not developed in isolation. It is planned as part of a comprehensive marketing mix. All elements of the marketing mix are focused on satisfying the needs of the target market customers that the company's research has identified.

For a company with which you are familiar, describe the marketing mix (product, distribution, price, and promotion) it uses for a specific group of customers. What needs does it appear to be trying to satisfy? How do you think the mix could be improved?

Putting Marketing Up Front

Every business decides how it will attempt to achieve its goals. Most businesses use carefully prepared plans to guide their operations. A plan that identifies how a company expects to achieve its goals is known as a **strategy**. A business's strategy provides the clearest indication of whether that business understands the marketing concept.

Without the marketing concept, a business first develops a product or service and then decides how it will be marketed. There will be little consideration of who the customers are or what their needs are until the product is completed. Marketing planning will occur only after the product has been designed. It will typically be done by marketing specialists working apart from others in the company. The business expects that most people are potential



©GETTY IMAGES/PHOTODISC

Why is marketing research important in developing a marketing strategy?

FIGURE 4-1

With the marketing concept, planning begins with customer needs.

How Does the Marketing Concept Affect Planning?	
Without the Marketing Concept	With the Marketing Concept
<ol style="list-style-type: none">1. Develop a product.2. Decide on marketing activities.3. Identify potential customers.	<ol style="list-style-type: none">1. Conduct research to identify potential customers and their needs.2. Develop a marketing mix (product, distribution, price, promotion) that meets specific customer needs.

customers for the product. It assumes that with adequate marketing those customers can be persuaded to buy the product.

With the marketing concept, a very different strategy will be used. The company believes it will be most successful if it can respond to the needs of customers. It recognizes that those needs may be different among various consumer groups. It also realizes that customer needs can change over time.

As shown in Figure 4-1, before doing anything else, the company will begin its planning by identifying potential customers and studying the needs of those customers. Marketers as well as others will be involved in the research and in using

the results to plan the products and services to be developed. The company will attempt to develop products and services that respond to customers' needs rather than what the company thinks should be offered. Marketing and product planning will occur at the same time, involving many people in all parts of the company. Marketing will be directed at meeting the identified needs of the customers rather than developing ways to persuade people to buy something they may not need.

Checkpoint

What is the initial focus of planning when the marketing concept is followed?

Understanding the Customer

Consumers have many choices of products and services they can purchase to meet their needs. Today, consumers are well informed and experienced in gathering information. They often spend time comparing products and services before they make decisions. Even if a hurried decision is made, if the buyer is dissatisfied with the purchase or finds a better choice later, the buyer will likely return the original product for a refund.

Bringing a new product to the marketplace is expensive. It takes time and money to develop, produce, distribute, and promote products. When a new product enters the market, it must compete with many products offered by other companies. These companies also have invested a great deal and do not want their products to fail. The competition among products is very intense.

Planning a Career in... *Marketing Research*



“Grandma finally agreed to move into a supportive living environment. Her new apartment has wide hallways that accommodate her walker. The bathtub has a door that swings open so she doesn’t have to step in over a high edge. Her apartment key is mounted in an oversized holder that makes turning the key easier. Someone sure put a lot of thought into making this place easy for her to navigate.”

How did the building owners know what features to include in apartments for the elderly? How do bathroom fixture manufacturers know that a growth in the elderly population warrants redesigning standard products for ease of use?

Marketing research enables companies to determine consumers’ needs and wants. Products can then be developed or refined to meet consumers’ needs.

Employment Outlook

- Faster than average growth is anticipated for the marketing research field.
- As international economies expand and create the opportunity for more purchases, demand for international marketing research will increase.
- Rapidly expanding media outlets are driving fiercer demand for consumers’ attention. Marketing research will be used to plan effective strategies to reach consumers.

Job Titles

- Focus Group Facilitator
- Marketing Research Analyst
- Survey Sales Representative
- Marketing Research Account Executive
- Media Research Analyst
- Research and Development Manager

Needed Skills

- Depending on the type of research, educational requirements vary from a B.A. to an M.A. or Ph.D. degree.
- A blend of coursework in business, quantitative analysis, and information science is beneficial.
- Strong analytical skills and attention to detail are important.

What’s it like to work in... *Marketing Research*

It’s 7:15 A.M. and Dimetri, a marketing research associate at a consumer products company, is reviewing what consumers need most from a laundry detergent. The results, obtained from a recent focus group, indicate that effectiveness at stain removal, colorfastness, and value were the most important factors to consumers. Dimetri will incorporate questions on these attributes into the online survey he is developing for current and prospective customers.

Dimetri’s afternoon team meeting focuses on the most effective way to deliver coupons to consumers. Six weeks ago, in three separate test markets, coupons for the laundry detergent were distributed via newspaper ads, by having retailers’ cash registers print out coupons when a competing brand was purchased, and by making coupons available through the Internet. By comparing coupon distribution methods to recent sales in test markets, the group hopes to determine which method of coupon distribution was the most effective.

What About You

How would you like to contribute to product enhancements through marketing research projects?

PHOTO: ©GETTY IMAGES/PHOTODISC

Fast FACTS

Loyalty to brands purchased in stores does not always translate into online purchases. Consumers often begin shopping on the web site of a preferred brand but switch to a less-preferred brand if they find the online purchase experience difficult.

Identifying Customer Needs

Successful companies are usually those that meet customer needs. Think of your favorite businesses or the products you purchase regularly. They are usually not the only choices you have, but they meet your needs in specific ways better than the other choices. The reasons may be higher quality, convenience, better prices, or a unique image. Satisfying exchanges occur when you spend your money for products and services that meet your needs, and the business is able to make a profit on the sale of its products.

Meeting customer needs is not easy. First, many customers are not sure of their needs or may have conflicting needs. Second, while consumers have many needs, they typically have limited amounts of money available to satisfy those needs. They may not have enough money to buy a specific product even though they believe it is the one that best meets their needs. Finally, the needs of individuals and groups of consumers can be quite different. Their perceptions of the products or services that will meet their needs are also quite different. Compare your feelings about specific products or services with those of your friends or family. You will find that there often are differences of opinion.

Businesses tend to deal with customer needs in one of two ways. Some businesses don't view the specific needs of consumers as important. They believe either that consumers don't understand their own needs or that businesses can influence consumer needs with well-designed products and effective prices and promotion. In other

words, if they can effectively produce and market products, consumers will buy their products. These businesses feel that most consumers are similar in terms of their needs and purchase behavior.

Other businesses believe that an understanding of consumer needs is an important part of their business activities. They study needs and try to understand how consumers evaluate products and services to make decisions about what to purchase. The businesses recognize that consumer needs can be quite different, so they try to identify groups of consumers who have similar characteristics and needs. They feel that they can do a better job of satisfying consumers if they can develop products and services that respond to what the consumer wants and expects.

Satisfying Customer Needs



The business that is concerned about consumer needs believes in the marketing concept. Its activities begin with a focus on the customer

and a belief that if it can satisfy customer needs better than its competitors, it will have the best chance for success. The business studies markets to identify groups of consumers with unsatisfied needs on which to focus its efforts. Through extensive marketing research, the business gathers and analyzes consumer information. It categorizes customers according to similar characteristics, needs, and purchasing behavior. Groups of similar consumers within a larger market are known as **market segments**.

After distinct market segments have been identified, the business analyzes each of them. It tries to determine which market segments can be served most effectively and which have the strongest needs, the most resources, and the least competition. It tries to identify other characteristics that can provide the business with opportunities for success. Studying and prioritizing market segments to locate the best potential based

on demand and competition is known as **market opportunity analysis**.

Once segments have been identified and prioritized, the business selects those segments on which it will focus its efforts. The segments selected become the business's target market. A **target market** is a clearly defined segment of the market to which a business wants to appeal. The

business can then use the information it has collected from the research to make production and marketing decisions specifically focused on that target market.

Checkpoint

What is a market segment?

Planning the Offering



Much of the planning efforts of a company are used to determine what to sell and how it will be presented to the customer. Products and services to be offered need to be developed. Marketing strategies need to be planned in order to make the products and services available to the targeted customers.

A business that believes in the marketing concept bases the planning process on customer needs. It knows that product planning and marketing must work hand in hand. Therefore, it will carefully coordinate the development of the marketing mix.

The Marketing Mix

The marketing mix is a blend of the four marketing elements—product, distribution, price, and promotion. Many decisions are needed to insure that a satisfying product is made available to the selected markets at the time, in the location, at the price, and with the information that best meets customers' needs. An effective strategy will bring together many complex activities. A business will be able to control a large number of the activities, but it will usually have to rely on other businesses to help with its plans.

Creating the Right Mix

Some of the decisions in the marketing mix are obvious while others are not. The results of one decision affect others. For

example, if an improvement is made to a product, then the company might need to increase the price. Developing the best marketing mix requires the cooperation of many people as well as careful planning and creativity.

A business uses the marketing concept because it believes that the best decisions can be made when the needs of consumers are an important focus of the planning. By combining the planning of product, distribution, pricing, and promotion, as shown in Figure 4-2, the company has the



FIGURE 4-2 Effective marketing strategies combine the parts of the marketing mix to satisfy customers.

best opportunity to develop a satisfying, competitive, and profitable mix. Business people need to understand each of the mix elements and all of the choices available in order to develop a good marketing mix.



Developing Products

When the term product is used, many people think of the basic offering of a company, such as an automobile, a desktop computer, or a meal at a restaurant. But there is much more to the product. Each competitor must make decisions that will make the product offered under its brand different from and better than the products offered by competitors.

Parts of the product decision that can improve customer satisfaction include special features such as a unique design, construction, size, color, or operation. Added accessories can make the product easier to operate and more efficient.

Products can be improved by offering services to customers. Services can be provided before or after the sale. They can be related to the purchase, delivery, installation, use, or maintenance of the product. Guarantees and warranties should be considered as a part of some products because they make customers more confident in the purchase of the product.

Another part of the product decision is the use of the product. Often products have more than one use. Customers may be dissatisfied if they are not able to use the product in the way they want. Packaging is needed not only to protect the product but also to make it easier to use and to provide customer information.



Making Distribution Decisions

Distribution is a critical part of a business's marketing decisions. It has an important impact on customer satisfaction by making the product available where and when the customer wants it. You can probably identify many examples of products that were

©PERMISSION GRANTED BY AMERICAN HONDA MOTOR CO., INC.

Earth Day, every day. From the cleanest car company on the planet.

We love clean air. Coming from a car company, that's never really been an easy claim to prove. Unless, of course, you're Honda.

We've had a long history of environmental leadership, featuring an extensive line of cars that have repeatedly set industry standards for cleaner technology. And, recently, the Union of Concerned Scientists named Honda the cleanest car company in the world.*

Consider the Civic, the first mass-market vehicle to provide a hybrid powertrain option in America. With up to 650 miles to every tank of gas, it's America's fuel-economy marvel! There's also the zero-emission, hydrogen-powered Honda FCX, the first fuel-cell car to be government certified for use on public roads. All the way down the line, every Honda car is a Low-Emission Vehicle or cleaner.

In many respects, it's always been this way: Honda was the first automaker to meet the emission standards of the 1970 Clean Air Act, without a catalytic converter. Not to mention, we were the first to meet the cleanest engine standard (SULEV), and the very first to introduce hybrid technology to America.

Genuine environmental leadership built through decades of concern. It's Honda's labor of love. Clean and simple.

HONDA
The power of dreams™

*Based on a U.S. consumer study (2002) by the Union of Concerned Scientists. The Union of Concerned Scientists is an independent organization. Honda does not imply endorsement of Honda or its products. †Based on EPA mileage estimates for Civic Hybrid with MT. CA model may get up to 65 miles per tank. Actual mileage may vary. © 2002 American Honda Motor Co., Inc. (hondausa.com)

Hybrid car manufacturers found ready customers and rising profits while other auto companies struggled for sales.

not available when you needed them or were not found where you expected to find them. Products may have been damaged during shipment, poorly packaged, or assembled incorrectly. Poor distribution leads to customer dissatisfaction.

While some products and services are exchanged directly between the producer and the customer, usually other businesses must be involved in the distribution process. Manufacturers must rely on wholesalers and retailers to get products to the consumer. Similarly, a retailer must locate sources of the products its customers want and obtain them.

An interesting activity is to try to trace the distribution path for products you

purchase. Sometimes it is almost impossible to identify the companies involved in some part of the distribution process or even the company that manufactured the product. Even though many of the businesses that are part of the distribution process are not obvious to the consumer, each business involved and the activities it performs are important. Activities such as order processing, product handling, transportation, and inventory control must be completed efficiently in order for companies to get the product to the customer. If one fails, the entire marketing effort may fail.



Pricing Products and Services

Price is probably the most difficult marketing decision

to understand and plan. Theoretically, price is determined from the interaction of supply and demand. That relationship is important in setting the best price, but it is almost impossible to set the price of a specific product in a specific business using only supply and demand. Businesses must develop specific procedures to set prices that are competitive and allow the business to make a profit.

First the business needs to know its objectives in pricing its products and services. If the goal is to increase the sales volume of a particular product rather than make the most profit possible on each sale, a different price will be used. Many businesses set their prices the same or slightly lower than their major competitors. That pricing strategy may be necessary in some situations, but it can also create problems.



Virtual Marketing

Consumer Products Giant Taps Internet for New Product Launch

The Procter & Gamble Company is the world's leading marketer of consumer packaged goods. It knows how to use all types of advertising and how to manage distribution channels to get its products prominently displayed on store shelves around the globe. So why did it quietly roll out an innovative new product on an Internet web site months before it was made available to retailers?

P&G wanted to create word-of-mouth buzz for its new product, Crest Whitestrips teeth whitening treatments, by making the product available even before it hit store shelves. So even as it was completing product test marketing, P&G sold more than 250,000 units through dental offices and the Internet.

Dentists gave the product credibility, and the Internet was a good fit for the

launch for several reasons. The price—\$44 for two weeks' worth of applications—was high enough to overcome consumers' reluctance to pay shipping charges for inexpensive items, yet low enough that people would be willing to risk that amount of money on a completely new product.

P&G also used the web site to gather information for future marketing efforts. In addition to getting buyers' names and addresses, P&G offered free shipping if a buyer gave it the names of three other people who might want to try Whitestrips.

Think Critically

1. Why are consumers reluctant to pay shipping and handling charges for inexpensive items?
2. What do you think P&G hoped to gain by releasing Whitestrips months before it began retail distribution?



©GETTY IMAGES/PHOTODISC

Why do some businesses offer special promotions such as double coupons or other discounts?

Calculating the price to be charged involves several elements. The price must be acceptable to customers, but it must cover all costs and allow for a reasonable profit. Production, marketing, and operating costs make up a large percentage of the final price of most products, so the net profit available is very small. If prices are not carefully calculated, businesses may not make a profit after expenses are tallied.

Another part of the pricing decision is how price is presented to customers. Normally, retailers use a price tag or sticker, and customers pay the price that is marked. Price may be communicated by manufacturers through catalogs or price sheets or by sales representatives.

It is common for businesses to offer discounts from their list prices to some or all of their customers. Prices can also be changed by markdowns, allowances, trade-ins, and coupons. Finally, credit is commonly used to allow customers to purchase a product without paying the full price at the time of purchase.

In pricing products and services, marketers must try to balance the cost of the

product with customers' feelings about the value of the product. The goal is a fair price and a reasonable profit.



Planning Promotion

Promotion communicates the value and benefits of a product or service to help consumers make decisions.

Advertising and other promotional methods are powerful tools if used to support effective marketing programs. However, they can easily be misused and can have no impact or even a negative effect on consumers.

Think of promotions you believe are particularly good. Now try to determine the impact of a specific promotion on your purchase behavior. It is difficult to determine the influence of just one promotion on a decision, even if it is memorable. There are more messages around us each day than we can ever notice or to which we can respond.

When planning promotion, business people select from a variety of methods. The most common methods are advertising, personal selling, sales promotion,

visual display, and publicity. The choices will be based primarily on the objectives the company wants to accomplish and the audience it wants to reach. Each method varies in the cost per person, number of people reached, types of messages carried, and other factors. Careful planning needs to be done to reach the target markets with an understandable message that helps them make appropriate decisions.

Promotion is a unique type of marketing tool. It does not create economic utility

by itself. It is used to communicate the value and benefits of other product and marketing decisions to the consumer. Promotion cannot do a great deal to help a company that has a poor product, excessively high prices, or ineffective distribution.

Checkpoint

Why should marketing mix elements be planned together rather than separately?

4-2 Assessment

Xtra!
Study Tools

school.cengage.com/marketing/marketing

Key Concepts

Determine the best answer.

1. When using the marketing concept, planning begins with
 - a. determining customer needs
 - b. identifying a product
 - c. assessing competitors
 - d. building a budget
2. Studying and prioritizing market segments to locate the best potential based on demand and competition is known as
 - a. market research
 - b. the marketing concept
 - c. market opportunity analysis
 - d. target marketing
3. True or False: In order to develop an effective marketing mix, the product needs to be well developed before planning other mix elements.
4. The marketing mix element that does not create economic utility by itself is
 - a. product
 - b. distribution
 - c. price
 - d. promotion

Make Academic Connections

5. **Visual Art** Draw or use technology to create a picture, graphic, or other visual representation of the marketing mix used by a company for one of its products. Make sure your visual includes each of the four elements of the marketing mix.
6. **Language Arts** Some companies have a specific target market for their products and services while others appear to be marketing to everyone. Locate an advertisement for a company that demonstrates a clear target marketing strategy and another that does not. Based on the purpose of the promotion mix element, determine how the language used in the two advertisements helps communicate the marketing strategy. Use the two ads to verbally describe your conclusions to other students.

Connect to



7. You are part of a team responsible for planning a marketing mix for a new fast-food breakfast item targeting health-conscious families. Develop a description of each mix element. Make a three-minute team presentation of your decisions and explain to your teacher (judge) how you applied the marketing concept.