Harvard Business School Case Selections (Reprint)

哈佛商学案例精选集

（英文影印版）

商务基础系列

Business Fundamentals Series

营销战略

Marketing Strategy

Robert J. Dolan 罗伯特·J·多兰

David Glen Mick 戴维·格伦·米克 等 编写

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Business Fundamentals
from
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MARKETING STRATEGY

HBS Publishing

INTRODUCTION

Welcome to the Business Fundamentals series from Harvard Business School Publishing.

Most of the readings in this collection were developed for the MBA or executive education programs of Harvard Business School. These programs rely heavily on the case method of instruction, in which students analyze and discuss firsthand accounts of actual management situations. Students also learn the fundamentals of what managers do: how they gather information, make choices, organize their activities, and measure performance. At Harvard Business School, the fundamentals are often taught through background notes -- such as those in this collection -- that describe business processes, management techniques, and industries.

The collections in this series are not meant to be comprehensive, but to present the fundamentals of business. This collection contains eight notes, plus a *Harvard Business Review* article, that provide a framework for understanding key components of marketing strategy. The items cover both consumer and industrial marketing and address a wide range of classic marketing functions. Because the readers emphasize currency, our usual rule is to exclude any items published more than five years ago. Nearly all the items herein were published since 1999 -- but we happily broke our rule to allow Professor V. K. Rangan's 1994 note on building distribution channels for industrial products.

The Business Fundamentals collections are designed for both individual study and facilitated training. For each reading we have provided a summary, outline, learning objectives, and a group of questions and exercises. If these readings are part of a training program in your company, you will find them to be a rich resource for discussion and group work.

You can search for related materials -- or order extra copies of a particular reading -- on our Web site: www.hbsp.harvard.edu.

Thank you for choosing this Business Fundamentals title. We are confident that your learning experience will be rewarding.

The Editors

CONTENTS

NOTE ON MARKETING STRATEGY

(R. J. Dolan / #9-598-061 / 17 pages)

Summary

Describes the major elements of marketing strategy: the decisions to be made and the underlying analysis to support that decision making.

Outline

Target Market Selection and Product Positioning
The Marketing Mix
Product
Place: Marketing Channels
Promotion: Marketing Communications
Pricing
Analysis Underlying Marketing Strategy Formulation

Learning Objectives

- Build a general understanding of the issues and analytical principles underlying the development of marketing strategy.
- Become aware of useful resources that can be consulted.

Questions and Exercises

1. In discussing market segments, the author lays out the following continuum:
   Mass Market --- Market Segments --- Market Niches --- Individuals
   Consider your own company's products against the background of this continuum. In the past five years, to what extent have you moved closer to customizing for the individual consumer? What factors in your industry limit or encourage product customization? Are your key competitors doing more than you are to focus on the right end of the continuum?

2. Many companies have not fully analyzed their offerings using the author's definition of product as "the total package of benefits obtained by the customer."
   At your next marketing meeting on a key product, see how long a list of benefits you and your colleagues can generate. Is your marketing message underplaying or overlooking benefits that might be important to certain customer segments?

3. By what means does your company obtain information on the Decision Making Unit (DMU) and the Decision Making Process (DMP) for a key customer or customer segment? Are you depending too much on a single source of information -- for example, a particular sales representative? Are there other potentially useful sources

you've never asked for this information -- for example, your repair people or your telephone-based customer service representatives?

Note on Marketing Strategy

Long ago, Peter Drucker wrote that any business enterprise has only two basic functions: marketing and innovation.[1] All else, he implied, was detail. The central role of marketing in the enterprise stems from the fact that marketing is the process via which a firm creates value for its chosen customers. Value is created by meeting customer needs. Thus, a firm needs to define itself not by the product it sells, but by the customer benefit provided.

Having created the value for its customers, the firm is then entitled to capture a portion of it through pricing. To remain a viable concern, the firm must sustain this process of creating and capturing value over time. Within this framework, the plan by which value is created on a sustained basis is the firm's Marketing Strategy. Marketing Strategy involves two major activities: (i) selecting a target market and determining the desired positioning of product in target customers' minds and (ii) specifying the plan for the marketing activities to achieve the desired positioning. **Figure A** presents a schematic describing a general process of marketing strategy development. As shown, five major areas of analysis underlie marketing decision making. We begin with analysis of the 5 C's—customers, company, competitors, collaborators, and context. We ask:

Customer Needs	What needs do we seek to satisfy?
Company Skills	What special competence do we possess to meet those needs?
Competition	Who competes with us in meeting those needs?
Collaborators	Who should we enlist to help us and how do we motivate them?
Context	What cultural, technological and legal factors limit what is possible?

This leads first to specification of a target market and desired positioning and then to the marketing mix. This results in customer acquisition and retention strategies driving the firm's profitability.

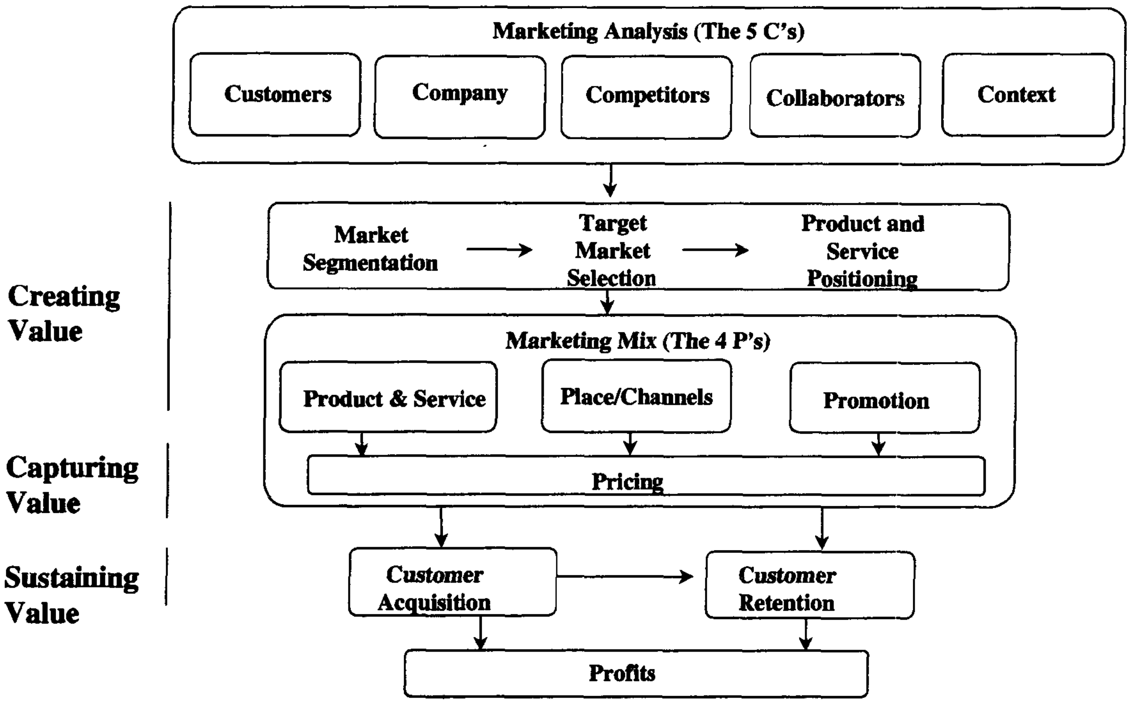
This note develops this framework. We organize the presentation by first setting out the major decisions to be made; then we elaborate on the 5 C's analysis required to support effective decision making. As an overview note, we do not provide depth in presenting the actual analytical

[1] Peter F. Drucker, *The Practice of Management* (New York: Harper, 1954)

Professor Robert J. Dolan prepared this note as the basis for class discussion.

techniques. However, throughout the note we provide references to textbooks which contain in-depth coverage of the issues.[2]

Figure A Schematic of Marketing Process[3]



Target Market Selection and Product[4] Positioning

Marketing strategy development begins with the customer. A prerequisite to the development of the rest of the marketing strategy is specification of the target markets the company will attempt to serve. Marketers have generally been moving from serving large mass markets to specification of smaller segments with customized marketing programs. Indeed, a popular phrase today is "markets of one" suggesting that marketing campaigns can and should be customized to individuals. In the days of "you can have any color you want as long as it's black," production capabilities and limited information on consumers' varying wants acted as constraints on the development of programs customized to individual consumers. Now, new technologies enable firms to practice customized marketing on an economical basis in many situations.[5]

[2] The idea for a note of this type as a useful adjunct to studying marketing originated with Professor Raymond E. Corey in his "Marketing Strategy: An Overview," written in 1978, HBS No. 579-054.

[3] This figure derives from similar representations developed over the years by HBS marketing faculty and other academics.

[4] Throughout this note, we will use the term "product" although the logic conveyed applies equally to situations in which customer value is delivered by a product/service bundle or a service alone.

[5] The development of customization strategies is covered in B.J. Pine II, *Mass Customization* (Boston, Mass.: Harvard Business School Press, 1993), and D. Peppers and M. Rogers, *The One to One Future* (New York: Currency/Doubleday, 1993).

The two key questions are:

1. Which potential buyers should the firm attempt to serve? To answer this, the firm must first determine the most appropriate way to describe and differentiate customers. This is the process of segmentation.

2. How much customization should the firm offer in its programs, i.e., at which point on the continuum from

   Mass Market- Market Segments - Market Niches - Individuals

   will the firm construct plans?

Markets can be segmented in a variety of ways.[6] Among the most widely used bases are:

- demographic (e.g., age, income, gender, occupation)
- geographic (e.g., nation, region of country, urban vs. rural)
- lifestyle (e.g., hedonistic vs. value oriented).

These three types of bases—demographic, geographic, and lifestyle—are general descriptors of consumers. Often, a useful segmentation of the market is derived by using segmentation bases which describe a customer's behavior or relationship to a product, e.g.,

User Status:	Non-User vs. User
Usage Rate:	Light, Medium, Heavy User
Benefits Sought:	Performance-Oriented vs. Price-Oriented
Loyalty Status:	None, Moderate, Strong, Totally Loyal
Attitude Toward Product:	Unsatisfied, Satisfied, Delighted

For example, a personal computer manufacturer segmenting the market on the basis of user status might choose to target first-time home-use computer buyers; another may target mainly those who already owned but wish to "trade-up." The firms' explicit choice of target markets has obvious, important implications for both the features to include in their computers and their communications efforts. Segmentation schemes yielding these clear implications for marketing are most useful. There is little point in using a segmentation basis to define groups to be marketed to in the same way.

The process of selecting the segments to serve is critical because ultimately the customer has the right to dictate the rules via which the marketing game will be played, i.e., a customer uses the purchase criteria he or she decides to use and these in effect are the "rules of the game." Thus, the firm's selecting a target market is tantamount to choosing the rules of the game, and consequently target market selection should consider:

- The firm's comparative strengths and weaknesses vis-a-vis competition given the target market's purchase criteria.
- The firm's corporate goals and the fit of the segment with these goals.
- The resources necessary to market successfully to the target segment.
- The need for/availability of appropriate collaborators to market successfully.
- The likely financial returns from the segment.

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[6] A good reference on the process of segmentation is in V.R. Rao and J.H. Steckel, "Segmenting Markets: Who Are the Potential Buyers," *Analysis for Strategic Marketing* (Reading, Mass.: Addison-Wesley, 1998), Chapter 2.

As part of the segmentation and target market selection process, the firm has to play out scenarios, i.e., consider the question: if we pursue this segment, how would we approach it and how would we want potential buyers to see us? The answer should be formalized in a "positioning statement" specifying the position the firm wishes to occupy in the target customers' minds.[7] The precise form of a positioning statement can vary but a form typically quite useful is to fill in:

______________	is	______________
Our Product/Brand		(single most important claim)
		______________
	among all	(competitive frame)
		______________
	because	(single most important support)

In some cases, the positioning cannot be sufficiently well captured via a focus on "single most important" claim, e.g., a computer manufacturer may want to be seen as both "easy-to-use" and "fast," so the positioning statement form can be adjusted. But, an explicit statement of the positioning idea is critical.

The absolute importance of target market selection and positioning is well conveyed in a best-selling marketing textbook:

> "The advantage of solving the *positioning problem* is that it enables the company to solve the *marketing mix problem.* The marketing mix—product, price, place, and promotion—is essentially the working out of the tactical details of the positioning strategy."[8]

The Marketing Mix

Neil Borden[9] of Harvard Business School used the term "marketing mix" to describe the set of activities comprising a firm's marketing program. He noted how firms blend mix elements into a program and how even firms competing in a given product category can have dramatically different mixes at work. He specified 12 mix elements, viz.

1. Merchandising–Product Planning
2. Pricing
3. Branding
4. Channels of Distribution
5. Personal Selling

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[7] This conception of "positioning" has been popularized by Ries and Trout in *Positioning: The Battle for Your Mind*, 1st ed. (Revised, McGraw-Hill, 1986).

[8] P. Kotler, *Marketing Management: Analysis, Planning, Implementation and Control*, 8th ed. (Englewood Cliffs, N.J.: Prentice-Hall, 1997), p. 310.

[9] N.H. Borden, "The Concept of the Marketing Mix." Reprinted in R.J. Dolan, *Strategic Marketing Management* (Boston, Mass.: Harvard Business School Press, 1991).

6. Advertising
7. Promotions
8. Packaging
9. Display
10. Servicing
11. Physical Handling
12. Fact-Finding and Analysis–Market Research

Over time, an aggregation and regrouping of these elements has become popular. As shown in **Figure A**, the "4 P's" of Product, Price, Promotion and Place are often used to set out the "marketing mix" in an easy to recall way. We now discuss the major issues in setting the "4 P's" in the following sequence:

1. Product
2. Place (Channels of Distribution)
3. Promotion (Communications Strategy)
4. Pricing

Product

(a) Product Definition

Product decisions start with an understanding of what a product is, viz. the product offering is not the thing itself, but rather the total package of benefits obtained by the customer. This idea has had a number of names, e.g., the "total product concept," "the augmented product," or "the integrated product." For marketing strategy development purposes, the product has to be considered from the point-of-view of value delivered to the customer. Value can be delivered simultaneously by a number of vehicles, e.g.,

- the physical product itself
- the brand name
- the company reputation
- pre-sale education provided by salespeople
- post-sale technical support
- repair service
- financing plans
- convenient availability
- word-of-mouth references provided by earlier adopters of the product
- reputation of outlet where purchased

For example, a shirt from the Lands' End Catalog is not just a shirt but one shipped within 24 hours of order and unconditionally guaranteed.[10] This broad conception of a "product" is key to seeing possible points of differentiation from competitors.

(b) Product Line Planning Decisions

A taxonomy of product line planning decisions is best developed by considering examples of some product planning decisions firms face.

• *Product Line Breadth:* A desktop computer manufacturer considers also selling laptops; a maker of men's golf attire considers adding a women's line; an automobile manufacturer considers a mini-van or sport utility vehicle. Product line *breadth* decisions are how many different lines will the company offer. A guiding principle in answering breadth questions is the company's position on desired consistency or similarity between the lines it offers. Some firms focus, e.g., "we market only products which draw on our skills in small motor technology" while others are more broad: "we sell products which draw on our superior consumer products marketing skills."

• *Product Line Length:* A beer producer in the mass part of the market is considering if it should develop an entry in the premium segment; the high-end computer manufacturer considering the product line breadth issue above also has to decide if it wants to compete in the emerging "under $999" market sector. These are product line *length* decisions, i.e., how many items will there be in a line providing coverage of different price points.

• *Product Line Depth:* The men's golf attire manufacturer considers whether to offer its $110 crew neck sweater in five colors or just three. Thus, a product line *depth* decision, i.e., how many types of a given product.

These are the three major types of product line planning decisions. Important considerations in making these decisions are:

- Does the product satisfy target customer wants in a way that is profitable for the firm?
- Does it offer opportunity for differentiation from competitors when the "product" is appropriately viewed as the total set of benefits delivered to consumers?
- What is the impact of this product on the rest of the line? Will it be a *complement* to other products, enhancing their value to the customer (e.g., a color-coordinated sweater enhancing the value of the matching golf shirt) or will it be a *substitute* possibly cannibalizing sales (e.g., an entry in the low-end of the personal computer machine taking sales from the same manufacturer's high-end, higher-margin items)?
- What is the impact of the items on the brand and company's reputation? The brand's equity is often a key asset and the product may enhance it or it may detract from it. A key issue is whether there would be damage to the brand, e.g., did Lipton Soup detract from the equity as a tea supplier, did Sears Financial Network hurt Sears' retail operations?[11]

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[10] This example is offered by Regis McKenna as an illustration of an "integral product" in his "Marketing in an Age of Diversity," *Harvard Business Review*, September-October 1988.

[11] These examples are offered and this topic is considered in detail in D.A. Aaker, *Managing Brand Equity* (New York: Free Press, 1991), particularly Chapter 9.

(c) Individual Item Decisions

As reflected in the discussion above, decisions on individual items need to be considered within the context of the firm's full product line due to item interrelationships. At the individual item level, decisions to be made are whether to undertake efforts to:

- delete an item from the line
- reposition an existing product within the line
- improve the performance of an existing product to strengthen its positioning
- introduce a new product within an existing line
- introduce a product to establish a new line

(d) The New Product Development Process

Generally, a proactive approach to new product development follows some form of a sequential process, e.g., a five-step process of:

1. Opportunity Identification
2. Design
3. Testing
4. Product Introduction
5. Life Cycle Management[12]

In the Opportunity Identification stage, the firm identifies a customer problem which it can solve. In addition, it identifies the concept for a product to ensure both a product/market fit (the product fits the needs of the customer) and a product/company fit (it fits with the manufacturing and operational skills of the firm).

The next two stages of Design and Testing are linked in an iterative process. For example, the firm might first embody the product idea in a concept statement which is tested via presentation to potential customers. Given a favorable reaction, the concept could then be developed into a mock-up to permit more effective communication of what the product would look like when actually marketed. An unfavorable reaction from consumers in any testing results in an iteration back to the design stage.

Testing with consumers can be done via a number of procedures,[13] e.g., surveys, taste tests, simulated test markets (in which mock stores are set up and consumers recruited to shop in the mock store environment), and actual test markets for consumer goods and beta tests for industrial goods. Testing is appropriate not only for the product itself but also for the supporting elements of the marketing mix, such as the communication strategy and price.

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[12] This particular model is presented by G.C. Urban and J.R. Hauser in *Design and Marketing of New Products*, 2nd ed. (Englewood Cliffs, N.J.: Prentice Hall, 1993).

[13] These methods are described in C.M. Crawford, *New Product Management*, 5th ed. (Homewood, Ill.: Irwin 1997) and R.J. Dolan, *Managing the New Product Development Process* (Reading, Mass.: Addison-Wesley, 1993).