



**Primis
Online**

Marketing Management

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Instructor:

Text Compiled: Terry Steele & John W. Rogers

Albertus Magnus College – New Dimensions

McGraw-Hill/Irwin

A Division of The McGraw-Hill Companies



McGraw-Hill Primis

ISBN: 0-390-31811-6

Text:

A Preface to Marketing Management, Ninth
Edition

Harvard Business School Marketing Cases

Peter-Donnelly

Harvard Business School Marketing Articles

Harvard Business School Industry and
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Contents

Front Matter	
Preface	1
I. Essentials of Marketing Management	
1. Strategic Planning and the Marketing Management Process	4
2. Marketing Research: Process and Systems for Decision Making	29
3. Consumer Behavior	43
4. Business, Government, and Institutional Buying	59
5. Market Segmentation	72
6. Product Strategy	87
7. New Product Planning and Development	103
8. Integrated Marketing Communications	117
9. Personal Selling, Relationship Building and Sales Management	137
10. Distribution Strategy	155
11. Pricing Strategy	173
12. The Marketing of Services	184
13. Global Marketing	202
II. Analyzing Marketing Problems and Cases	
Text	219
III. Financial Analysis for Marketing Decisions	
Text	232
IV. Developing Marketing Plans	
Text	241
Back Matter	
Names Index	252
Subject Index	256
Chapter Notes	268
Harvard Business School Articles and Cases	
Marketing Myopia	276
Marketing Strategy Formulation	290
Marketing the National Hockey League	311
The Black & Decker Corp. (A): Power Tools Division	342
The Brand Report Card	355
Brands vs. Private Labels: Fighting to Win	367
Communications Policy	383
Get the Right Mix of Bricks and Clicks	395
Z Corporation	405
Target Market Selection and Product Positioning	425
The Brand Report Card Exercise	433

Preface

We are very grateful for the acceptance of *A Preface to Marketing Management* by both colleagues and students. The previous two editions have been more widely adopted than any of their predecessors. The success of *The Preface*, while heartwarming, also poses a challenge. The challenge is to execute a comprehensive and up-to-date revision to satisfy the needs of both instructors and students. Following are the changes in this edition which we believe will accomplish this goal.

CHANGES IN THIS EDITION

We are fortunate to receive a great deal of feedback on the book. Based on the requests, comments, and suggestions from adopters, students, and reviewers, in addition to our own experiences using the book, we have made some significant revisions in this edition. In fact, several chapter titles have been changed to reflect the new content. In addition, each chapter has been updated and contains additional references that students can use for writing projects or case presentations.

Chapter 1, "Strategic Planning and the Marketing Management Process." A major revision of this chapter includes a new What Is Marketing? discussion, new mission statement examples, a reorganization and new discussion of organizational strategies, as well as new highlights.

Chapter 2, "Marketing Research: Process and Systems for Decision Making." Following a major revision in the previous edition, which expanded coverage of the marketing research process with emphasis on both quantitative and qualitative research methods, this revision further expands the discussion with several new highlights.

Chapter 3, "Consumer Behavior." A new section, Psychological Influences on Consumer Decision Making, has been added. In addition, the chapter has been reorganized to examine social, marketing, situational, and psychological influences before discussing consumer decision making.

Chapter 4, "Business, Government, and Institutional Buying." This retitled chapter reflects a reorganization of the content. A new section has been added, Categories of Organizational Buyers, along with several new highlights.

Chapter 5, "Market Segmentation." This chapter included several new figures which enhance the presentation of the concepts as well as several new highlights.

Chapter 6, "Product Strategy." The revision follows up on new material on the effective use of cross-functional teams in product management and new product development, with a new discussion of product mix and product line.

Chapter 7, "New Product Planning and Development." The new material added on the composition of new product teams and cross-functional product development teams has been updated and better placed in the revision.

Chapter 8, "Integrated Marketing Communications: Advertising, Sales Promotion, Public Relations, and Direct Marketing." This retitled chapter and major revision reflects all the new discussions of public relations and direct marketing. It also includes a new discussion of the promotion mix and an expanded discussion of integrated marketing communications which includes a new highlight. There are

also new figures and highlights and new discussions of sales promotion and push vs. pull marketing.

Chapter 9, "Personal Selling, Relationship Management, and Sales Management." This chapter has been retitled to better reflect its content. It also includes new material on technology and the sales force and a new highlight on the evolution of personal selling.

Chapter 10, "Distribution Strategy." This revision adds expanded coverage of electronic commerce with particular emphasis on the advantages and disadvantages for marketers.

Chapter 11, "Pricing Strategy." This revision follows up on the addition of a new pricing model which emphasizes breaking down pricing decisions into a set of manageable stages and the addition of several new highlights.

Chapter 12, "The Marketing of Services." Contains new material on quality service on the Internet.

Chapter 13, "Global Marketing." Contains a new and expanded discussion on organizing the multinational firm and the addition of global branding with a new highlight.

Finally, this edition and its predecessor contain significantly more material on cross-functional issues and technology. Over the past decade there has been increasing demand from business students, the organizations that hire them, and the American Assembly of Collegiate Schools of Business (AACSB) for cross-functional emphasis in business school programs. When students leave campus they quickly learn that most business problems span the functional disciplines in real organizations.

USING THE PREFACE

We developed this book with several potential uses in mind. As such it has been successfully used in a variety of situations wherever an overview of the critical aspects of marketing management is necessary. *The Preface* has been used successfully:

- As a supplement in undergraduate and MBA-level marketing courses that focus on case problems.
- At the undergraduate and MBA level, where several AACSB core curriculum courses are team taught as one multidisciplinary 9- to 12-hour course.
- More and more as a primary introductory text. One reviewer commented that our book is "pound for pound, the best introductory marketing text available."
- In short courses and executive development programs.

CONTENTS OF THE PREFACE

We hope that you will review this new edition of *The Preface*. It consists of four major sections:

Section I. Essentials of Marketing Management

This section consists of 13 chapters that present what we believe to be the essentials of marketing. The objective of this section is to present materials useful in analyzing marketing problems and cases. Relevant sources are included in the discussion and at the end of each chapter.

A feature of our book that has received very positive feedback from both students and teachers is the “Marketing Highlights” that appear throughout. Not the usual news items found in other texts, this feature emphasizes important information and handy tools for analyzing marketing cases and problems. Many are new or have been revised for the ninth edition.

Section II. Analyzing Marketing Problems and Cases

This popular section presents an approach to analyzing, writing, and presenting case analyses. It has been widely praised as the best presentation available on the topic.

It is important to note that this section could have been placed at the beginning of the book because it is designed to be read at the start of a course using cases. However, since it is usually referred to throughout the semester, we placed it after the text material. For those courses that do not employ cases, this textbook may be used without reference to this section.

Section III. Financial Analysis for Marketing Decisions

The ultimate objectives of marketing activities are usually expressed in financial terms. This section presents some important financial calculations that can be useful in evaluating the financial position of a firm and the financial impact of various marketing strategies.

Section IV. Developing Marketing Plans

This section contains an approach to developing marketing plans. In keeping with the concept of this book and the needs of its users, this section helps readers develop practical planning skills by providing a general format for structuring actual marketing plans.

Supplements

In response to instructors’ requests, this edition of *The Preface* is accompanied by two expanded supplements. We offer a test bank of nearly 600 multiple choice, true-false, and brief essay questions. It is available in both print and Brownstone Diploma 97 test-generated software versions. We also offer PowerPoint slides that highlight key text material.

Chapter

1

Strategic Planning and the Marketing Management Process

The purpose of this introductory chapter is to present the marketing management process and outline what marketing managers must *manage* if they are to be effective. In doing so, it will also present a framework around which the remaining chapters are organized. Our first task is to review the organizational philosophy known as the marketing concept, since it underlies much of the thinking presented in this book. The remainder of this chapter will focus on the process of strategic planning and its relationship to the process of marketing planning.

THE MARKETING CONCEPT

Simply stated, the **marketing concept** means that *an organization should seek to make a profit by serving the needs of customer groups*. The concept is very straightforward and has a great deal of commonsense validity. Perhaps this is why it is often misunderstood, forgotten, or overlooked.

The purpose of the marketing concept is to rivet the attention of marketing managers on serving broad classes of **customer needs (customer orientation)**, rather than on the firm's **current products (production orientation)** or on devising methods to attract customers to **current products (selling orientation)**. Thus, effective marketing starts with the **recognition of customer needs and then works backward to devise products and services to satisfy these needs**. In this way, marketing managers can satisfy customers more efficiently in the present and anticipate changes in customer needs more accurately in the future. This means that organizations should focus on **building long-term customer relationships** in which the initial sale is viewed as a beginning step in the process, not as an end goal. As a result, the customer will be more satisfied and the firm will be more profitable.

The principal task of the marketing function operating under the marketing concept is not to manipulate customers to do what suits the interests of the firm, but rather to find effective and efficient means of **making the business do what suits the interests of customers**. This is not to say that all firms practice marketing in

this way. Clearly, many firms still emphasize only production and sales. However, effective marketing, as defined in this text, requires that **consumer needs come first** in organizational decision making.

One qualification to this statement deals with the question of a conflict between consumer wants and societal needs and wants. For example, if society deems clean air and water as necessary for survival, this need may well take precedence over a consumer's want for goods and services that pollute the environment.

WHAT IS MARKETING?

Everyone reading this book has been a customer for most of their life. Last evening you stopped into a local supermarket to graze at the salad bar; pick up some bottled water and a bag of Fritos corn chips. While you were there, you snapped a \$1.00 coupon for a new flavor salad dressing out of a dispenser and tasted some new breakfast potatoes being cooked in the back of the store. As you sat down at home to eat your salad, you answered the phone and someone suggested that you need to have your carpets cleaned. Later on in the evening you saw TV commercials for tires, soft drinks, athletic shoes, and the dangers of smoking and drinking during pregnancy. Today when you enrolled in a marketing course, you found that the instructor has decided that you must purchase this book. A friend has already purchased the book on the Internet. All of these activities involve marketing. And each of us knows something about marketing because it has been a part of our life since we had our first dollar to spend.

Since we are all involved in marketing, it may seem strange that one of the persistent problems in the field has been its definition.¹ The American Marketing Association **defines marketing** as "the process of planning and executing conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals."² This definition takes into account all parties involved in the marketing effort: members of the producing organization, resellers of goods and services, and customers or clients. While the broadness of the definition allows the inclusion of nonbusiness exchange processes, the primary emphasis in this text is on marketing in the business environment. However, this emphasis is not meant to imply that marketing concepts, principles, and techniques cannot be fruitfully employed in other areas of exchange. In fact, some discussions of nonbusiness marketing take place later in the text.

WHAT IS STRATEGIC PLANNING?

Before a production manager, marketing manager, and personnel manager can develop plans for their individual departments, some larger plan or blueprint for the *entire* organization should exist. Otherwise, on what would the individual departmental plans be based?

In other words, there is a larger context for planning activities. Let us assume that we are dealing with a large business organization that has several business divisions and several product lines within each division (e.g., General Electric, Philip Morris). Before any marketing planning can be implemented by individual divisions or departments, a plan has to be developed for the entire organization.³ This means that senior managers must look toward the future and evaluate their ability

Marketing Highlight Basic Elements of the Marketing Concept

1. Companywide managerial awareness and appreciation of the consumer's role as it is related to the firm's existence, growth, and stability. As renowned management scholar Peter Drucker has noted, business enterprise is an organ of society; thus, its basic purpose lies outside the business itself. And the valid definition of business purpose is the creation of customers.
2. Active, companywide managerial awareness of, and concern with, interdepartmental implications of decisions and actions of an individual department. That is, the firm is viewed as a network of forces focused on meeting defined customer needs and comprising a system within which actions taken in one department or area frequently result in significant repercussions in other areas of the firm. Also, it is recognized that such actions may affect the company's equilibrium with its external environment, for example, its customers, its competitors.
3. Active, companywide managerial concern with innovation of products and services designed to solve selected consumer problems.
4. General managerial concern with the effect of new products and service introduction on the firm's profit position, both present and future, and recognition of the potential rewards that may accrue from new product planning, including profits and profit stability.
5. General managerial appreciation of the role of marketing intelligence and other fact-finding and reporting units, within and adjacent to the firm, in translating the general statements presented above into detailed statements of profitable market potentials, targets, and action. Implicit in this statement is not only an expansion of the traditional function and scope of formal marketing research, but also assimilation of other sources of marketing data, such as the firm's distribution system and its advertising agency counsel, into a potential marketing intelligence service.
6. Companywide managerial effort, based on participation and interaction of company officers, in establishing corporate and departmental objectives that are understood by and acceptable to these officers and that are consistent with enhancement of the firm's profit position.

Source: For an up-to-date discussion of the marketing concept, see Frederick E. Webster, Jr., "Defining the New Marketing Concept," *Marketing Management* 2, no. 4 (1994), pp. 22-31. For a classic discussion, see Robert L. King, "The Marketing Concept: Fact or Intelligent Platitude," *The Marketing Concept in Action*, Proceedings of the 47th National Conference (Chicago: American Marketing Association, 1964), p. 657.

to shape their organization's destiny in the years and decades to come. The output of this process is objectives and strategies designed to give the organization a chance to compete effectively in the future. The objectives and strategies established at the top level provide the context for planning in each of the divisions and departments by divisional and departmental managers.

Strategic Planning and Marketing Management

Some of the most successful business organizations are here today because many years ago they offered the right product at the right time to a rapidly growing market. The same can also be said for nonprofit and governmental organizations. Many of the critical decisions of the past were made without the benefit of strategic thinking or planning. Whether these decisions were based on wisdom or were just luck is not important; they worked for these organizations. However, a worse fate befell countless other organizations. Over three-quarters of the 100 largest U.S. corporations of 70 years ago have fallen from the list. These corporations at one time dominated their markets, controlled vast resources, and had the best-trained workers. In the end, they all made the same critical mistake. Their **managements failed to recognize that business strategies need to reflect changing environments and emphasis must be placed on developing business systems that allow for continuous improvement. Instead, they attempted to carry on business as usual.**

Present-day managers are increasingly recognizing that wisdom and innovation alone are no longer sufficient to guide the destinies of organizations, both large and small. These same managers also realize that the true mission of the organization is to **provide value for three key constituencies: customers, employees, and investors.** Without this type of outlook, no one, including shareholders, will profit in the long run.

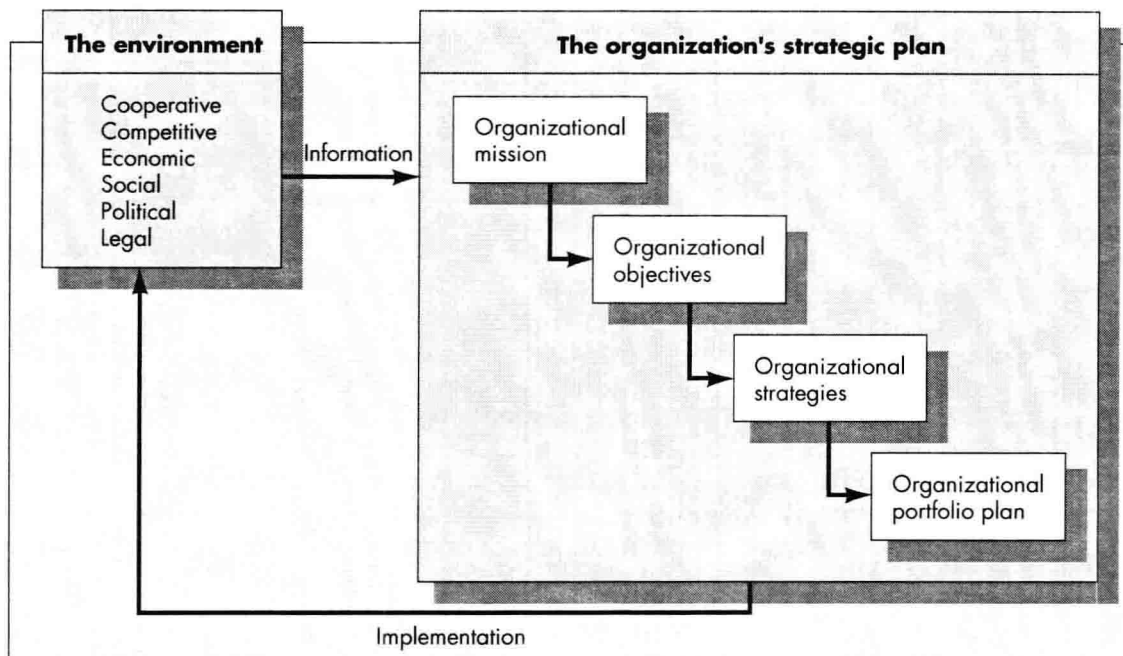
Strategic planning includes all the activities that lead to the development of a clear organizational mission, organizational objectives, and appropriate strategies to achieve the objectives for the entire organization. The form of the process itself has come under criticism in some quarters for being too structured; however, strategic planning, if performed successfully, plays a key role in achieving an equilibrium between the short and the long term by balancing acceptable financial performance with preparation for inevitable changes in markets, technology, and competition, as well as in economic and political arenas. Managing principally for current cash flows, market share gains, and earnings trends can mortgage the firm's future. An intense focus on the near term can produce an aversion to risk that dooms a business to stagnation. Conversely, an overemphasis on the long run is just as inappropriate. Companies that overextend themselves betting on the future may penalize short-term profitability and other operating results to such an extent that the company is vulnerable to takeover and other threatening actions.

The strategic planning process is depicted in Figure 1-1. In the strategic planning process the organization gathers information about the changing elements of its environment. Managers from all functional areas in the organization assist in this information-gathering process. This information is useful in aiding the organization to adapt better to these changes through the process of strategic planning. The strategic plan(s)[†] and supporting plan are then implemented in the environment. The end results of this implementation are fed back as new information so that continuous adaptation and improvement can take place.

The Strategic Planning Process

The output of the strategic planning process is the development of a strategic plan. Figure 1-1 indicates **four components of a strategic plan: mission, objectives, strategies, and portfolio plan.** Let us carefully examine each one.

FIGURE 1-1 The Strategic Planning Process



Organizational Mission

The organization's environment provides the resources that sustain the organization, whether it is a business, a college or university, or a government agency. In exchange for these resources, the organization must supply the environment with quality goods and services at an acceptable price. In other words, every organization exists to accomplish something in the larger environment and that purpose, vision, or mission usually is clear at the organization's inception. As time passes, however, the organization expands, and the environment and managerial personnel change. As a result, one or more things are likely to occur. First, the organization's **original purpose may become irrelevant** as the organization expands into new products, new markets, and even new industries. For example, Levi Strauss began as a manufacturer of work clothes. Second, the original mission may remain relevant, but managers begin to **lose interest in it**. Finally, **changes in the environment** may make the original mission inappropriate, as occurred with the March of Dimes when a cure was found for polio. The result of any or all three of these conditions is a **"drifting" organization, without a clear mission, vision, or purpose to guide critical decisions**. When this occurs, management must search for a purpose or emphatically restate and reinforce the original purpose.

The **mission statement**, or purpose, of an organization is the **description of its reason for existence**. It is the **long-run vision** of what the organization strives to be, the unique aim that differentiates the organization from similar ones and the means by which this differentiation will take place. In essence, the mission statement defines the direction in which the organization is heading and how it will succeed in reaching its desired goal. While some argue that vision and mission statements differ in their purpose, the perspective we will take is that both reflect the organization's attempt to **guide behavior, create a culture, and inspire commit-**

Marketing Highlight Some Actual Mission Statements

1-2

Organization	Mission
Health Publications	Our mission is to show people they can use the power of their bodies and minds to make their lives better. We say "You can do it" on every page of our books and magazines.
Local Bank	We will be the best bank in the state for medium-size businesses by 2010.
Skin Care Products	We will provide luxury skin care products with therapeutic qualities that make them worth their premium price.
Household Products	Our mission is offering simple household problem solutions.
Hotel Chain	Grow a worldwide lodging business using total quality management (TQM) principles to continuously improve preference and profitability. Our commitment is that <i>every guest leaves satisfied</i> .

ment.⁵ However, it is more important that the mission statement comes from the heart and is practical, easy to identify with, and easy to remember so that it will provide direction and significance to all members of the organization regardless of their organizational level.

The basic questions that must be answered when an organization decides to examine and restate its mission are, What is our business? Who is the customer? What do customers value? and What will our business be?⁶ The answers are, in a sense, the assumptions on which the organization is being run and from which future decisions will evolve. While such questions may seem simplistic, they are such difficult and critical ones that the major responsibility for answering them must lie with top management. In fact, the mission statement remains the most widely used management tool in business today. In developing a statement of mission, management must take into account three key elements: the organization's history, its distinctive competencies, and its environment.⁷

1. *The organization's history.* Every organization—large or small, profit or nonprofit—has a history of objectives, accomplishments, mistakes, and policies. In formulating a mission, the critical characteristics and events of the past must be considered.

2. *The organization's distinctive competencies.* While there are many things an organization may be able to do, it should seek to do what it can do best. Distinctive competencies are things that an organization does well; so well in fact that they give it an advantage over similar organizations. For Honeywell, it's their ability to design, manufacture, and distribute a superior line of thermostats.⁸ Similarly, Procter & Gamble's distinctive competency is its knowledge of the market for low-priced, repetitively purchased consumer products. No matter how appealing an opportunity may be, to gain advantage over competitors, the organization must formulate strategy based on distinctive competencies.

8 Part A Introduction

3. *The organization's environment.* The organization's environment dictates the opportunities, constraints, and threats that must be identified before a mission statement is developed. For example, managers in any industry that is affected by Internet technology breakthroughs should continually be asking, How will the changes in technology affect my customers' behavior and the means by which we need to conduct our business?

However, it is extremely difficult to write a useful and effective mission statement. It is not uncommon for an organization to spend one or two years developing a useful mission statement. When completed, **an effective mission statement will be focused on markets rather than products, achievable, motivating, and specific.**⁹

Focused on Markets Rather than Products The customers or clients of an organization are critical in determining its mission. Traditionally, many organizations defined their business in terms of what they made ("our business is glass"), and in many cases they named the organization for the product or service (e.g., American Tobacco, Hormel Meats, National Cash Register, Harbor View Savings and Loan Association). Many of these organizations have found that, when products and technologies become obsolete, their mission is no longer relevant and the name of the organization may no longer describe what it does. Thus, a more enduring way of defining the mission is needed. In recent years, therefore, a key feature of mission statements has been an *external* rather than *internal* focus. In other words, the **mission statement should focus on the broad class of needs that the organization is seeking to satisfy (external focus), not on the physical product or service that the organization is offering at present (internal focus).** These market-driven firms stand out in their ability to continuously anticipate market opportunities and respond before their competitors. This has been clearly stated by Peter Drucker:

A business is not defined by the company's name, statutes, or articles of incorporation. It is defined by the want the customer satisfies when he buys a product or service. To satisfy the customer is the mission and purpose of every business. The question "What is our business?" can, therefore, be answered only by looking at the business from the outside, from the point of view of customer and market.¹⁰

While Drucker was referring to business organizations, the same necessity exists for both nonprofit and governmental organizations. That necessity is to state the mission in terms of serving a particular group of clients or customers and meeting a particular class of need.

Achievable While the mission statement should stretch the organization toward more effective performance, it should, at the same time, **be realistic and achievable.** In other words, it should open a vision of new opportunities but should not lead the organization into unrealistic ventures far beyond its competencies.

Motivational One of the side (but very important) benefits of a well-defined mission is the **guidance** it provides employees and managers working in geographically dispersed units and on independent tasks. It provides a shared **sense of purpose** outside the various activities taking place within the organization. Therefore, such end results as sales, patients cared for, students graduated, and reduction in violent crimes can then be viewed as the result of careful pursuit and accomplishment of the mission and not as the mission itself.

Specific As we mentioned earlier, public relations should not be the primary purpose of a statement of mission. It must **be specific to provide direction and guide-**

Chapter One Strategic Planning and the Marketing Management Process 9

lines to management when they are choosing between alternative courses of action. In other words, “to produce the highest-quality products at the lowest possible cost” sounds very good, but it does not provide direction for management.

Organizational Objectives

Organizational objectives are the end points of an organization’s mission and are what it seeks through the ongoing, long-run operations of the organization. The organizational mission is distilled into a finer set of specific and achievable organizational objectives. These objectives must be *specific, measurable, action commitments* by which the mission of the organization is to be achieved.

As with the statement of mission, organizational objectives are more than good intentions. In fact, if formulated properly, they can accomplish the following:

1. They can be converted into specific action.
2. They will provide direction. That is, they can serve as a starting point for more specific and detailed objectives at lower levels in the organization. Each manager will then know how his or her objectives relate to those at higher levels.
3. They can establish long-run priorities for the organization.
4. They can facilitate management control because they serve as standards against which overall organizational performance can be evaluated.

Organizational objectives are necessary in all areas that may influence the performance and long-run survival of the organization. As shown in Figure 1–2, objectives can be established in and across many areas of the organization. The list provided in Figure 1–2 is by no means exhaustive. For example, some organizations are specifying the primary objective as the attainment of a specific level of quality, either in the marketing of a product or the providing of a service. These organizations believe that objectives should reflect an organization’s commitment to the customer rather than its own finances. Obviously, during the strategic planning

FIGURE 1–2
Sample
Organizational
Objectives
(manufacturing firm)

Area of Performance	Possible Objective
1. Market standing	To make our brands number one in their field in terms of market share.
2. Innovations	To be a leader in introducing new products by spending no less than 7 percent of sales for research and development.
3. Productivity	To manufacture all products efficiently as measured by the productivity of the workforce.
4. Physical and financial resources	To protect and maintain all resources—equipment, buildings, inventory, and funds.
5. Profitability	To achieve an annual rate of return on investment of at least 15 percent.
6. Manager performance and responsibility	To identify critical areas of management depth and succession.
7. Worker performance and attitude	To maintain levels of employee satisfaction consistent with our own and similar industries.
8. Social responsibility	To respond appropriately whenever possible to societal expectations and environmental needs.

Marketing Highlight Potential Sources of Cross-Functional Conflict for Marketers

Functions	What They May Want to Deliver	What Marketers May Want Them to Deliver
Research and development	Basic research projects Product features Few projects	Products that deliver customer value Customer benefits Many new products
Production/operations	Long production runs Standardized products No model changes Long lead times Standard orders No new products	Short production runs Customized products Frequent model changes Short lead times Customer orders Many new products
Finance	Rigid budgets Budgets based on return on investment Low sales commissions	Flexible budgets Budgets based on need to increase sales High sales commissions
Accounting	Standardized billing Strict payment terms Strict credit standards	Custom billing Flexible payment terms Flexible credit standards
Human resources	Trainable employees Low salaries	Skilled employees High salaries

Source: G. A. Churchill, Jr. and J. Paul Peter, *Marketing: Creating Value for Customers* (Burr Ridge, IL: Irwin-McGraw-Hill, 1998), p. 15.

process conflicts are likely to occur between various functional departments in the organization. The important point is that management must translate the organizational mission into specific objectives that support the realization of the mission. The objectives may flow directly from the mission or be considered subordinate necessities for carrying out the mission. As discussed earlier, the objectives are specific, measurable, action commitments on the part of the organization.

Organizational Strategies

Hopefully, when an organization has formulated its mission and developed its objectives, it knows where it wants to go. The next managerial task is to develop a “grand design” to get there. This grand design constitutes the organizational strategies. Strategy involves the choice of major directions the organization will take in pursuing its objectives. Toward this end, it is critical that strategies are consistent with goals and objectives and that top management ensures strategies are implemented effectively. As many as 60 percent of strategic plans have failed because the strategies in them were not well defined and, thus, were unable to be implemented effectively.¹¹ What follows is a discussion of various strategies organizations can pursue. We discuss three approaches: (1) strategies based on products and markets, (2) strategies based on competitive advantage, and (3) strategies based on value.

FIGURE 1-3
Organizational
Growth Strategies

Markets \ Products	Present Products	New Products
	Present customers	New customers
Present customers	Market penetration	Product development
New customers	Market development	Diversification

Organizational Strategies Based on Products and Markets One means to developing organizational strategies is to focus on the directions the organization can take in order to grow. Figure 1-3 presents the available strategic choices, which is known as a **product-market matrix**.¹² It indicates that an organization can grow by better managing what it is presently doing or by finding new things to do. In choosing one or both of these paths, it must also decide whether to concentrate on present customers or to seek new ones. Thus, according to Figure 1-3, there are only four paths an organization can take in order to grow.

Market Penetration Strategies These strategies focus primarily on increasing the sale of present products to present customers. For example:

- Encouraging present customers to use more of the product: “Orange Juice Isn’t Just for Breakfast Anymore.”
- Encouraging present customers to purchase more of the product: multiple packages of Pringles, instant winner sweepstakes at a fast-food restaurant.
- A university directs a fund-raising program at those graduates who already give the most money.

Tactics used to implement a market penetration strategy might include price reductions, advertising that stresses the many benefits of the product (e.g., “Milk Is a Natural”), packaging the product in different-sized packages, or making it available at more locations. Other functional areas of the business could also be involved in implementing the strategy in addition to marketing. A production plan might be developed to produce the product more efficiently. This plan might include increased production runs, the substitution of preassembled components for individual product parts, or the automation of a process that previously was performed manually.

Market Development Strategies Pursuing growth through market development, an organization would seek to find new customers for its present products. For example:

- Arm & Hammer continues to seek new uses for its baking soda.
- McDonald’s continually seeks expansion into overseas markets.
- As the consumption of salt declined, a book appeared: “101 Things You Can Do with Salt Besides Eat It.”

Market development strategies involve much, much more than simply getting the product to a new market. Before deciding on marketing techniques such as