MARIAN BURK WOOD'S

ESSENTIAL GUIDE TO MARKETING PLANNING

FOURTH EDITION

Pearson

Essential Guide to Marketing Planning

Essential Guide to Marketing Planning

Fourth edition

Marian Burk Wood

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Brief Contents

Preface		XV
About the author		XX
Acknowledgements		XXI
Chapter 1	Introduction to marketing planning	2
Chapter 2	Analysing the current situation	24
Chapter 3	Analysing customers and markets	46
Chapter 4	Segmenting, targeting and positioning	68
Chapter 5	Planning direction and objectives	88
Chapter 6	Planning for products and brands	106
Chapter 7	Planning for pricing	128
Chapter 8	Planning for channels and logistics	150
Chapter 9	Planning for communications and influence	170
Chapter 10	Planning for digital, social media and mobile marketing	194
Chapter 11	Supporting the marketing strategy	216
Chapter 12	Planning for implementation, metrics and control	236
Appendix: Sample marketing plan for Lost Legends Luxury Chocolatier		262
Glossary		283
Index		294

Contents

Preface XV

About the author XX

Acknowledgements XXI

1 Introduction to marketing planning 2

Chapter preview: Marketing at Primark® 3
The role of marketing planning 4
The benefits of marketing planning 4
Marketing in practice: Red Nose Day® 5
The dynamic marketing plan 6
The process of marketing planning 6
Stage 1: Analyse the current situation 6
Stage 2: Research and analyse markets and customers 8
Essential checklist No. 1: Situational analysis 8
Stage 3: Determine segmentation, targeting and positioning 9
Stage 4: Set marketing plan direction and objectives 9
Stage 5: Plan strategies, programmes and support 10
Product and branding 10
Marketing in practice: Nestlé KitKat® 11
Price 11
Channel and logistics 12
Marketing communications and influence 12
Marketing support 13
Stage 6: Plan to measure progress and performance 13
Stage 7: Implement, control and evaluate the plan 14
Documenting a marketing plan 14
Internal audit: The starting point for planning 14
Three levels of planning for strategy 14
Marketing and the mission statement 17
Marketing in practice: Walmart® 18
Essential checklist No. 2: The mission statement 19
Chapter summary 19
A closer look: Marketing at Primark® 20
Apply your knowledge 21
Build your own marketing plan 21
Endnotes 22

2 Analysing the current situation 24

Chapter preview: Marketing at L'Oréal® 26
Environmental scanning and analysis 26
Internal audit: identifying strengths and weaknesses 27
External audit: identifying opportunities and threats 28
SWOT analysis 29
Marketing in practice: Experian® 30
Analysing the internal environment 30
Organisational resources and capabilities 31
Current offerings 31
Previous performance 32
Marketing in practice: Coles® 32
Business relationships 33
Key issues 34
Essential checklist No. 3: The internal environment 34
Analysing the external environment 34
Political factors 35
Economic factors 35
Social, cultural and ethical factors 36
Technological factors 37
Legal factors 38
Ecological factors 38
Competitive factors 39
Marketing in practice: Michelin® 40
Essential checklist No. 4: The external environment 41
Chapter summary 41
A closer look: Marketing at L'Oréal® 42
Apply your knowledge 43
Build your own marketing plan 43
Endnotes 44

3 Analysing customers and markets 46

Chapter preview: Marketing at Ryanair® 48
Analysing consumer and business markets 48
Market definition 49
Market changes 50
Market share 51
Marketing in practice: Specsavers® 52
Analysing customers in consumer markets 52
Characteristics and needs 53
Cultural elements 54
Social connections and opinion leaders 54
Personal elements 55
Marketing in practice: Nappies in China 57
Essential checklist No. 5: Analysing customers in consumer markets 57
Analysing customers in business markets 58
Characteristics and needs 58

Organisational and environmental considerations 59
Internal and external relationships 59
Marketing in practice: Samsung® Electronics 60
Essential checklist No. 6: Analysing customers in business markets 61
Researching markets and customers 62
Primary and secondary research data 62
Conducting marketing research 62
Chapter summary 63
A closer look: Marketing at Ryanair® 64
Apply your knowledge 65
Build your own marketing plan 65
Endnotes 66

4 Segmenting, targeting and positioning 68

Chapter preview: Marketing at Nike® 70
Benefits of segmentation, targeting and positioning 70
The market segmentation process 72
Choose the market 72
Apply segmentation variables in consumer markets 73
Marketing in practice: Whitbread's Premier Inn® 75
Apply segmentation variables in business markets 75
Marketing in practice: BASF® 76
Evaluate and select segments for targeting 77
Essential checklist No. 7: Evaluating market segments 78
The targeting process 79
Undifferentiated marketing 79
Differentiated marketing 80
Marketing in practice: BMW® Group 80
Concentrated marketing 81
Individualised marketing 81
Segment personas 81
The positioning process 82
Deciding on differentiation 82
Applying positioning 83
Essential checklist No. 8: Planning for positioning 83
Chapter summary 83
A closer look: Marketing at Nike® 84
Apply your knowledge 85
Build your own marketing plan 85
Endnotes 86

5 Planning direction and objectives 88

Chapter preview: Marketing at Lego® Group 90
Marketing plan direction 90
Growth strategies 91
Non-growth strategies 92

Marketing plan objectives ***92***
Types of objectives 93
Financial objectives 93
Marketing objectives 94
Marketing in practice: Danone® 95
Societal objectives 96
Marketing in practice: Bring back the bees 97
Characteristics of effective objectives 98
Marketing in practice: Hyundai® 100
Essential checklist No. 9: Evaluating objectives ***100***
From objectives to marketing-mix decisions ***101***
Chapter summary ***102***
A closer look: Marketing at Lego® Group ***102***
Apply your knowledge ***103***
Build your own marketing plan ***103***
Endnotes ***104***

6 Planning for products and brands 106
Chapter preview: Marketing at Reckitt Benckiser® ***108***
Planning for products ***108***
Product-mix and product-line decisions 110
Cannibalisation 111
Marketing in practice: Competition and cannibalisation 111
Limited-time and limited-edition products 112
Product life-cycle decisions 112
New product development decisions 113
Marketing in practice: Tesla Motors® 114
Product attribute decisions 115
Quality and performance decisions 115
Feature and benefit decisions 116
Design decisions 117
Packaging and labelling decisions 117
Essential checklist No. 10: Planning for products ***118***
Planning for brands ***118***
Brand identity 119
Marketing in practice: Private brands 120
Brand meaning 121
Brand response 121
Brand relationship 122
Rebranding 122
Essential checklist No. 11: Planning for brands ***123***
Chapter summary ***123***
A closer look: Marketing at Reckitt Benckiser® ***124***
Apply your knowledge ***125***
Build your own marketing plan ***125***
Endnotes ***125***

7 Planning for pricing 128

Chapter preview: Marketing at IKEA® ***130***
Understanding price and value ***130***
Perceptions of value 130
Marketing in practice: LVMH® 132
Pricing based on value 132
Analysing influences on pricing decisions ***133***
Internal influences 133
Organisational and marketing plan objectives 134
Costs 134
Targeting and positioning 135
Marketing in practice: Poundland® 135
Product decisions and life cycle 136
Marketing-mix decisions 136
Essential checklist No. 12: Pricing through the product life cycle ***137***
External influences 137
Customers 137
Market and demand 138
Marketing in practice: Walt Disney® 139
Competition 140
Channel members 140
Legal, regulatory, ethical and sustainability considerations 141
Making pricing decisions ***142***
Setting pricing objectives 142
Pricing new products 142
Pricing multiple products 143
Adapting prices 143
Planning for prices to vary 144
Chapter summary ***145***
A closer look: Marketing at IKEA® ***145***
Apply your knowledge ***146***
Build your own marketing plan ***147***
Endnotes ***147***

8 Planning for channels and logistics 150

Chapter preview: Marketing at Burberry® ***152***
Analysing the value chain ***152***
The value chain for services 154
Flows and responsibilities in the value chain 154
Reverse channels 154
Planning for channels ***155***
Marketing in practice: Uniqlo® 156
Channel length decisions 157
Marketing in practice: Amazon.com® 158
Channel member decisions 159
Retail trends 160
Marketing in practice: Pop-up shops 160

Essential checklist No. 13: Planning for marketing channels 162
Planning for logistics 162
Inventory decisions 163
Storage decisions 163
Transportation decisions 164
Order processing and fulfilment decisions 165
Essential checklist No. 14: Planning for logistics 165
Chapter summary 165
A closer look: Marketing at Burberry® 166
Apply your knowledge 167
Build your own marketing plan 167
Endnotes 168

9 Planning for communications and influence **170**
Chapter preview: Marketing at Hyundai® 172
The role of marketing communications and influence 172
Word of mouth and buzz marketing 173
Understanding marketing communications tools 173
Advertising 173
Sales promotion 174
Personal selling 174
Direct marketing 175
Public relations 175
Marketing in practice: Unilever® 175
Developing a plan for marketing communications and influence 176
Define the target audience 176
Set the objectives and the budget 177
Consider legal, regulatory, social and ethical issues 178
Plan for tools, messages and media 178
Plan for pre- and post-implementation analysis 179
Schedule, implement and evaluate the campaign 179
Marketing in practice: Neuromarketing and advertising 179
Integrated marketing communications 180
Planning advertising 181
Planning messages 181
Planning media 181
Essential checklist No. 15: Planning for media 182
Planning sales promotion 182
Planning for customer sales promotion 182
Marketing in practice: Birchbox® 184
Planning for channel and sales force sales promotion 185
Essential checklist No. 16: Planning for sales promotion 186
Planning personal selling 186
Planning direct marketing 187
Planning public relations 188
Defining the 'public' 188
Planning and evaluating PR activities 189
Chapter summary 189

A closer look: Marketing at Hyundai® *190*
Apply your knowledge *191*
Build your own marketing plan *191*
Endnotes *192*

10 Planning for digital, social media and mobile marketing **194**
Chapter preview: Marketing at Domino's® *196*
Planning for digital marketing *196*
Digital advertising and ad blockers 197
Websites and optimisation 198
Content marketing 199
Essential checklist No. 17: Planning for content marketing *200*
E-mail and chat marketing 200
Legal, ethical and regulatory issues 201
Planning for social media marketing *202*
Control of conversations in social media 203
Marketing in practice: Responding to negative social media comments 204
Viral marketing 204
Marketing in practice: Knorr® 205
Planning for mobile marketing *206*
Mobile apps and mobile payments 206
Marketing in practice: Starbucks® 207
QR Codes 207
Location-based mobile marketing 208
Privacy, security and legal issues 209
Chapter summary *209*
A closer look: Marketing at Domino's® *210*
Apply your knowledge *211*
Build your own marketing plan *211*
Endnotes *211*

11 Supporting the marketing strategy **216**
Chapter preview: Marketing at Metro Bank® *218*
The role of customer service and internal marketing *218*
Marketing applications of customer service 219
Customer relationships 219
Marketing plan objectives 220
Marketing applications of internal marketing 220
Planning for customer service *221*
Determining service levels 222
Marketing in practice: Net-A-Porter® 222
Planning for good service throughout the relationship 224
Marketing in practice: Fairmont Hotels® 225
Monitoring customer perceptions of service 226
Planning for service recovery 227
Essential checklist No. 18: Planning for customer service *228*
Planning for internal marketing *229*

Employees and the brand 229
Marketing in practice: Nike® 230
Strategy for internal marketing 230
Chapter summary ***231***
A closer look: Marketing at Metro Bank® ***231***
Apply your knowledge ***232***
Build your own marketing plan ***233***
Endnotes ***233***

12 Planning for implementation, metrics and control 236
Chapter preview: Marketing at McDonald's ***238***
Tools for evaluating implementation ***238***
Measuring progress with metrics ***240***
Selecting metrics 241
Applying metrics 242
Marketing in practice: Barclays Bank® 242
Essential checklist No. 19: Planning metrics ***243***
Forecasting and the planning process ***244***
Types of forecasts 244
Market and segment sales forecasts 245
Marketing in practice: Airbus® 245
Company and product sales forecasts 246
Costs of sales forecasts 246
Channel forecasts 246
Forecasting approaches and data sources 247
Preparing budgets and schedules ***248***
Budgeting methods 248
Budgets within budgets 249
Planning schedules for implementation 250
Marketing in practice: BMW® 250
Planning for marketing control ***251***
The marketing control process 252
Actions based on marketing control 252
Levels of marketing control 253
Types of marketing control 254
Essential checklist No. 20: Evaluating implementation ***255***
Contingency plans and scenario planning ***255***
Chapter summary ***257***
A closer look: Marketing at McDonald's ***257***
Apply your knowledge ***258***
Build your own marketing plan ***259***
Endnotes ***259***

Appendix: Sample marketing plan: Lost Legends Luxury Chocolatier 262

Glossary 283

Index 294

Preface

Careful, creative planning is essential in today's global marketplace, where customers' needs and behaviours are constantly changing, economic circumstances are unpredictable, competitive pressure is intense and every day brings new technological advances. This book is your essential guide for learning how to prepare a practical, effective marketing plan to achieve financial, marketing and societal objectives. Through clear explanations, real-world examples and hands-on exercises, it will help you to:

- understand what marketing planning is, how it works and why it's important;
- learn the vocabulary and concepts of planning;
- complete the seven stages of the marketing planning process;
- formulate a marketing plan customised for your situation.

Use this book to gain insights from the experiences of marketers worldwide and apply your knowledge to develop a marketing plan of your own. You will begin to research your market, analyse your competitive situation, set objectives, decide on marketing strategies and document your ideas in a marketing plan similar to the sample plan in the Appendix. Whether you go on to work for a major corporation, specialise in consumer or business marketing, start your own business or join a non-governmental organisation, your understanding of the planning process and planning techniques will be a valuable asset.

NEW IN THIS EDITION

This edition will introduce you to the very latest developments in the dynamic world of marketing, including descriptions, applications and international examples of:

- *digital marketing, social media* and *mobile marketing* used to engage, inform and influence customers, including tools for *content marketing* and *viral marketing;*
- *Big Data* and its importance to marketing research and programme planning, balanced by concerns about data *security* and *privacy;*
- *flash retailing, showrooming* and *reverse showrooming* as key trends in today's *multichannel* environment;

- *search experience optimisation* as well as *search engine optimisation*, used to provide consumers with positive digital access experiences across devices;
- *ad blockers* and controversies about marketing intrusiveness and behavioural tracking;
- *ethical sourcing* and *sustainability* as marketing priorities for social responsibility;
- *strategies* for building *competitive advantage* through *strong brands, rebranding*, and *launching new products;*
- *metrics* and *key performance indicators* for measuring and managing marketing plan *implementation* to achieve short- and long-term goals.

New Chapter 10 is devoted to an in-depth discussion of how marketers are using digital, social media and mobile marketing as they target consumers and business customers. This new edition also contains 20 checklists, updated to guide you through key aspects of the planning process. Every chapter has been thoroughly revised to reflect contemporary marketing thought and practice. You'll also learn from dozens of new featured examples and detailed cases showing how manufacturers, retailers, service firms, non-profits and other organisations actually apply the principles of marketing planning. And because marketing is increasingly global, new examples have been added to illustrate the role of planning in consumer marketing, business-to-business marketing and non-profit marketing around the world.

YOUR STEP-BY-STEP GUIDE

Special features in every chapter will help you to understand and complete the essential steps in formulating a marketing plan:

- *No-nonsense directions.* The 'how to' approach clearly explains the questions to be asked and the decisions to be made as you research and write your marketing plan.
- *Diagram of the planning process.* A diagram at the start of each chapter shows how that chapter's principles fit within the seven stages of the marketing planning process.
- *Case-study examples open and close each chapter.* Every chapter begins with a real example of marketing in action at a well-known business, including Primark®, L'Oréal®, Ryanair®, Nike®, LEGO®, Reckitt Benckiser®, IKEA®, Burberry®, Hyundai®, Domino's®, Metro Bank® and McDonald's®. The chapter closes with a closer look at the case-study company's competitive situation and marketing decisions. Cases include questions for critical thinking and concept application.
- *Marketing in practice features.* To illustrate how marketers are applying planning principles, each chapter includes three 'marketing in practice' featured examples. These features examine how organisations can plan for specific challenges such as how to compete more effectively, how to respond to negative social media comments, how to market private brands and how to use pop-up shops. Businesses, brands and non-profits featured include Samsung® Electronics, Specsavers®, Red Nose Day®, Fairmont Hotels®, Poundland®, Disney, Experian®,

Coles®, BMW®, Airbus®, Tesla Motors®, Knorr®, Nestlé KitKat®, Michelin®, LVMH®, Net-a-Porter®, Walmart®, Starbucks®, Unilever®, Danone®, Premier Inn® and Uniqlo®. A 'marketing plan analysis' question follows each featured example, designed to help you think through the implications of different marketing situations and strategies.

- *Practical exercises.* 'Apply your knowledge' exercises challenge you to translate principles into practice by analysing a specific organisation's marketing activities. 'Build your own marketing plan' exercises direct you through the main steps in preparing a strong, relevant marketing plan.
- *Definitions.* Key terms defined in each chapter and in the glossary help you to master the vocabulary every marketer must know. Every entry in the glossary includes the chapter number in which the definition appears, so you can review the context as you study or prepare for class. Some of the new concepts in this edition's glossary include ethical sourcing, Big Data, hashtag, search experience optimisation, reference groups, viral marketing, customer relationship marketing, reverse showrooming and flash retailing.

SAMPLE MARKETING PLAN

The Appendix contains a brief sample marketing plan showing how a fictional start-up company, Lost Legends Luxury Chocolatier, plans to launch its first products and compete with established confectionery companies. This sample plan includes background information about market trends and customer characteristics; analyses the company's strengths, weaknesses, opportunities and threats; sets specific objectives; and documents decisions about targeting, positioning, products and branding, pricing, distribution, marketing communications, customer service and internal marketing. It also summarises highlights of the company's marketing programmes, forecasts, metrics and control. As you learn about the planning process, refer to this sample plan to see how a company might present and explain its chosen marketing strategies and prepare for effective and efficient implementation.

ESSENTIAL MARKETING CHECKLISTS

This new edition includes 20 checklists to lead you through the essential aspects of the planning process. Checklist topics are keyed to the material in each chapter.

Essential checklist No. 1: Situational analysis (Chapter 1)

Essential checklist No. 2: The mission statement (Chapter 1)

Essential checklist No. 3: The internal environment (Chapter 2)

Essential checklist No. 4: The external environment (Chapter 2)

Essential checklist No. 5: Analysing customers in consumer markets (Chapter 3)

Essential checklist No. 6: Analysing customers in business markets (Chapter 3)

Essential checklist No. 7: Evaluating market segments (Chapter 4)

Essential checklist No. 8: Planning for positioning (Chapter 4)

Essential checklist No. 9: Evaluating objectives (Chapter 5)

Essential checklist No. 10: Planning for products (Chapter 6)

Essential checklist No. 11: Planning for brands (Chapter 6)

Essential checklist No. 12: Pricing through the product life cycle (Chapter 7)

Essential checklist No. 13: Planning for marketing channels (Chapter 8)

Essential checklist No. 14: Planning for logistics (Chapter 8)

Essential checklist No. 15: Planning for media (Chapter 9)

Essential checklist No. 16: Planning for sales promotion (Chapter 9)

Essential checklist No. 17: Planning for content marketing (Chapter 10)

Essential checklist No. 18: Planning for customer service support (Chapter 11)

Essential checklist No. 19: Planning metrics (Chapter 12)

Essential checklist No. 20: Evaluating implementation (Chapter 12)

REAL-WORLD VIEW OF MARKETING PLANNING TODAY

Seeing how different organisations approach marketing can provoke new thinking, provide insights into marketing situations and lead to creative and practical marketing plans. How does Primark® use marketing plans to prepare for retail competition and global expansion (Chapter 1)? How is Nike® using market segmentation and targeting to compete with rivals all over the planet (Chapter 4)? What is IKEA's® approach to pricing and how does it profit from careful planning (Chapter 7)? How has Domino's® further increased market prominence by engaging customers through digital marketing (Chapter 10)? These and many other featured examples and cases reveal the contemporary realities of planning for the ever-changing international marketplace.

GUIDE TO THE BOOK

Essential Guide to Marketing Planning is divided into 12 chapters, each covering a key aspect of the planning process. Chapters 1–3 introduce marketing planning, explain how to analyse the current marketing situation and discuss how to research markets and customers. Chapter 4 examines the use of segmentation, targeting and positioning. Chapter 5 looks at setting direction and objectives in the marketing plan. Chapters 6–10 focus on planning for the marketing mix: product, price, place (channels and logistics) and promotion (marketing communications and customer influence); plus digital, social media and mobile marketing. Chapter 11 discusses planning for customer service and internal marketing to support the marketing mix. Chapter 12 explains how to prepare for implementation, control and evaluation of your marketing plan.

ONLINE EXTRAS

Visit the companion blog at **http://essentialmarketingplanning.blogspot.com** for updates to cases, concepts and companies and the latest news and views in the world of marketing.

Instructors can visit **www.pearsoned.co.uk/wood-mp** to access the Instructor's Manual and PowerPoint slides, which contain answers to company feature questions and case study questions plus additional resources.

Lecturer Resources

ON THE WEBSITE

For password-protected online resources tailored to support the use of this textbook in teaching, please visit **www.pearsoned.co.uk/wood-mp**

About the Author

Marian Burk Wood has held vice-presidential-level marketing positions in corporate and non-profit marketing with Citibank, JP Morgan Chase and the National Retail Federation. Her US textbook, *The Marketing Plan Handbook*, now in its fifth edition, has introduced marketing planning to thousands of students worldwide since the first edition was published in 2003.

Wood holds an MBA in marketing from Long Island University in New York and a BA from the City University of New York. She has worked with prominent academic experts to co-author college textbooks on principles of marketing, principles of advertising and principles of management. Wood's special interests in marketing include retailing, digital marketing, ethics and social responsibility, segmentation and metrics.

She writes a companion blog for this book, with updates to cases and concepts plus commentary on contemporary marketing trends. View the blog at:

http://essentialmarketingplanning.blogspot.com

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This fourth edition is dedicated to my cherished husband Wally Wood, my dear sister Isabel Burk and my three wonderful nieces, Andrea, Heather and Katie. Finally, I send warm greetings to my cousins near and far, who are connected to the many branches of my extended family tree.

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1

Introduction to marketing planning

Learning outcomes

After studying this chapter, you will be able to:

- Discuss the benefits of marketing planning and its seven stages.
- Outline the content of a marketing plan and explain why it must be dynamic.
- Describe how the mission statement guides marketing planning.

Application outcomes

After studying this chapter, you will be able to:

- Begin the first stage of marketing planning.
- Analyse and prepare or improve a mission statement.
- Start documenting a marketing plan.

CHAPTER PREVIEW

MARKETING AT PRIMARK®

Dublin-based Primark®, owned by Associated British Foods, sells more clothing in the UK than any other retailer. Primark's® international specialty is fast fashion for women, men, children and the home. Its products are priced super-low to sell quickly, allowing the 300-store chain to restock with ever newer, trendier items week after week. Primark® has been expanding across Europe and across the Atlantic, entering new markets where price-conscious customers are eager for style bargains. When the company opens a new store, shoppers swarm in, buy by the sackful, spread the word to friends and return to shop often.

Primark's® marketing plan includes a strategy for communicating via social media, but not via traditional advertising, because the retailer needs to keep costs down so it can keep prices low. It also maintains a website with informative content about its products, commitment to sustainability and ethical principles. It engages customers by inviting them to upload photos of themselves wearing Primark® fashions to the firm's 'Primania®' pages and to Instagram® and Snapchat®, tagging them as #Primania®. However, the firm's marketing plan does not include e-commerce. For now, it's relying solely on in-store retailing, supported by social media marketing, to achieve long-term growth and profitability goals.[1]

Without a marketing plan, Primark® would have no clear course of action for engaging customers, building brand image and loyalty, growing the business and increasing profits.

Yet the planning decisions that work for Primark® will not necessarily work for Uniqlo®, H&M® or any other competitor. Every marketing plan is therefore as unique as it is vital for the company's future. In this chapter, you'll learn about the role of marketing planning within today's ever-changing global marketplace, review the individual stages in the process and learn how to document a marketing plan. After you explore the three levels of planning, you'll see how the mission statement guides marketing planning. Check the sample marketing plan in the Appendix for how to document your planning activities and decisions. And use this chapter's checklists to prepare for developing your own marketing plan.

The role of marketing planning

Marketing planning is the structured process that leads to a coordinated set of marketing decisions and actions, for a specific organisation and over a specific period, based on:

- an analysis of the current internal and external situation, including markets and customers;
- clear marketing direction, objectives, strategies and programmes for targeted customer segments;
- support through customer service and internal marketing programmes;
- management of marketing activities through implementation, evaluation and control.

The course of action that results from marketing planning is recorded in a **marketing plan**. This internal document outlines the marketplace situation and describes the marketing strategies and programmes that will support the achievement of business and organisational goals over a specified period, usually one year. Firms generally create separate marketing plans for each brand and each market as well as for new product launches or other special activities.

The benefits of marketing planning

In today's connected world, brand reputations can be won or lost with a tweet, a text or a few seconds of online video. Because of the global economy, severe weather conditions or financial problems that originate far from home can disrupt lives, businesses and buying patterns. In other words, even though changes can occur quickly and without warning, the idea of creating a structured plan to guide your marketing efforts is more important than ever before.

Marketing planning keeps you focused on your customers, helps you determine what your organisation can do (and what it can't do) for customers, helps you examine offerings in the context of competition and the marketing environment, and sets up the rationale for allocating marketing resources. It provides a framework for systematically assessing different marketing possibilities, setting marketing goals and putting competition into perspective. Marketing planning helps decision-makers deal with the *who, what, when, where, how* and *how much* of the organisation's marketing.

However, the marketing plan is not simply an account of what you as a marketer aspire to accomplish in the coming year. Your plan must allow for measuring progress towards objectives and making adjustments if actual results vary from expectations. The marketing plan must be both specific and flexible to help you prepare for the new and the unexpected: new competition, evolving technology, new laws, new political realities, economic upheavals and other shifts that can influence marketing performance.

Red Nose Day®, a special event sponsored by Comic Relief that has been raising money in the UK for charities for decades, recently crossed the Atlantic. The UK and US markets are different, so Red Nose Day® UK (www.rednoseday.com) and Red Nose Day® USA (www.rednosedayusa.org) must develop separate marketing plans.

MARKETING IN PRACTICE
RED NOSE DAY®

Red Nose Day has become a biennial UK tradition since comedians organised the first 'get funny for money' fundraiser 30 years ago. People buy red noses and other merchandise that benefits the charities; they participate in fun-themed community fundraisers; and they phone or text donations during a star-studded charity TV programme. Businesses such as Sainsbury's, British Airways, TK Maxx and the BBC® support the event by raising money, engaging the target audience, selling Red Nose merchandise and providing services to the charity. Red Nose Day includes digital media in its marketing plan, with a website and posts on Facebook®, Twitter®, Instagram®, YouTube® and Google Plus, in addition to mobile campaigns inviting consumers to text their donations. In all, Red Nose Day has raised more than £1 billion for charities that work to relieve poverty, improve health and provide educational access – success that gives donors and sponsors a good feeling about making a difference.

Now Red Nose Day is seeking to become an annual fundraiser in the United States, with donations benefiting Oxfam America®, Boys & Girls Clubs of America and other charities. Before the first US fundraiser in 2015, the marketing plan included tactics for raising awareness in a nation where Red Nose Day had low brand recognition. The marketing plan also included outreach to business and media partners that could add their marketing might and financial strength to the event. Through these partners, Red Nose Day would create further buzz about this new 'fun' fundraiser and increase donations. The marketing plans for the first two Red Nose Day USA fundraisers set no specific donation goals, aiming to raise as much as possible while increasing visibility. In 2015, US donations topped $21 million; in 2016, US donations topped $30 million.

Walgreens® is the main US retail partner for Red Nose Day, selling millions of red noses and other related items to benefit the charities. Through messages in traditional and digital media, Walgreens® helps to build the Red Nose Day brand, educates consumers about the fundraising event and encourages donations. The NBC TV network hosts the Red Nose Day telethon featuring celebrities doing something funny to support fundraising. Other sponsors, including M&Ms, add their marketing voices to increase awareness, shape consumer attitudes and promote fundraising efforts. Can Red Nose Day USA gain the recognition and participation to approach the one-day totals achieved by the UK fundraisers?[2]

Marketing plan analysis:

As Red Nose Day gains acceptance in the US, how would you recommend its marketers set yearly goals for participation and donations?

The dynamic marketing plan

Today's marketing environment has become so volatile that successful companies continually update their marketing plans to maintain their competitive edge and provide goods or services that customers really value. A good marketing plan must be dynamic, anticipating changes and including guidelines for how to react with customer relationships and competition in mind. No marketing plan lasts forever; even the most effective plan must be adjusted as the situation evolves or customers' needs and preferences change. After the 2016 UK vote to exit the European Union, for example, marketers that buy or sell beyond UK borders took a closer look at their marketing plans to determine what changes would be needed.

Consider the dramatic shifts that are bringing new urgency to marketing planning. Both consumers and businesses have shown their willingness to stop buying or switch to cheaper brands at the first sign of economic trouble, forcing companies to fight harder for market share. Some brands may, for instance, use discount vouchers to attract first-time buyers, while others may use a loyalty scheme to encourage customer loyalty. Marketing to maintain a good reputation is another key area for companies, now that consumers can quickly tell the world about positive and negative experiences by e-mailing, blogging, tweeting, texting or posting YouTube® videos or selfies. And the growth of online and mobile commerce has created new competition and new marketing pressures.

The process of marketing planning

The marketing plan documents decisions and actions undertaken as a result of the seven-stage marketing planning process shown in Figure 1.1. Most organisations begin this process several months before a marketing plan is scheduled to take effect. Experts warn, however, that marketing planning should be ongoing, not a once-a-year exercise, because the marketing environment can change at any time. This section offers a brief overview of all seven stages.

Stage 1: Analyse the current situation

The purpose of analysing your situation is to identify strengths, weaknesses, opportunities and threats for marketing purposes. You'll use an *internal audit* to examine the current situation within the organisation, including mission statement, resources, offerings, capabilities, important business relationships and – an important way of learning from the past – the results of earlier plans. The mission statement is an overall guide to what the organisation wants to accomplish and where, in general terms, your marketing plan should

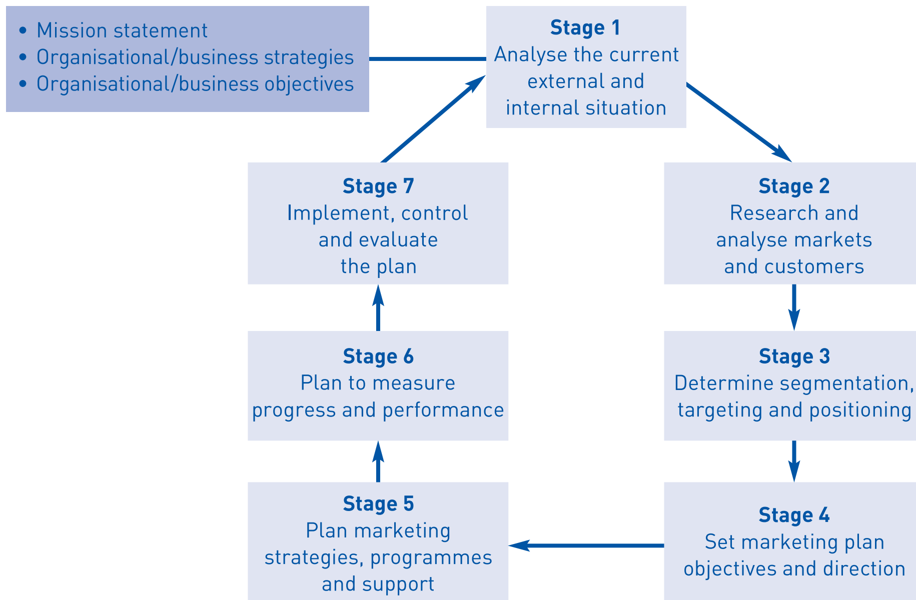

Figure 1.1 The marketing planning process

take the organisation. To illustrate, the online UK grocery retailer Ocado's mission, highlighted on its website, is 'to deliver world-class groceries and offer a greener alternative to traditional grocery shopping'. This mission identifies specific elements (such as eco-friendly shopping) that inform Ocado's marketing decisions and activities.

Using an *external audit,* you'll study trends and changes in the broad political, economic, social–cultural, technological, legal and ecological environment, and you'll analyse competitive factors. This audit should cover issues, threats and opportunities that might influence your ability to implement the marketing plan and achieve your objectives. Due to external changes such as public pressure and internal changes such as corporate leadership, a growing number of companies are adopting **sustainable marketing**, 'the establishment, maintenance and enhancement of customer relationships so that the objectives of the parties involved are met without compromising the ability of future generations to achieve their own objectives'.[3] This goes beyond company profitability to understand the ecological, social and economic dimensions of sustainability and maintain the wellbeing of people and the planet.

Marketing in this way entails making commitments to a broader base of **publics** (also known as *stakeholders*), groups such as stockholders, bankers, regulators, reporters, citizen action groups and neighbourhood residents that have an interest in or an influence on the organisation's performance. As an example, Unilever's executives prepare an annual report documenting global performance on key sustainability factors such as water use, greenhouse gas emissions and the environmental impact of raw materials used in products and packaging. Publics now expect **marketing transparency**, open and honest disclosure of marketing activities and decisions that affect them in some way. Perceived lack of transparency can, in fact, lead to a harsh response from one or more publics. See **Chapter 2** for more about assessing the current situation.

Stage 2: Research and analyse markets and customers

Next you should research your markets and customers (consumers, businesses, clients or constituents). Investigate trends in market share, product demand, customer needs and perceptions, demographics, buying patterns and customer satisfaction. Who is buying or would buy the product being marketed, and why? How are buying patterns changing, and why? What is in demand and when? Where is it in demand and how is demand expected to change over time? What experiences, services and benefits do customers need, want or expect before, during and after each purchase?

During this research and analysis stage, think about what your customers might need tomorrow as well as what they need today. This will help you formulate a plan for **relationship marketing**, building mutually satisfying ongoing connections with customers and other key publics. Relationship marketing is based on the premise that when organisations look beyond the immediate transaction to build trust and meet customers' long-term needs, customers are more likely to remain loyal. Successful firms demonstrate a strong customer orientation through their marketing activities, recognising that satisfying customers will ultimately lead to satisfying shareholders and other stakeholders.[4] In this digital age, many brands seek to sustain and deepen customer relationships through dialogues on social media and through mobile marketing. See **Chapter 3** for coverage of customer and market analysis.

The first checklist in this book looks at key issues in situational analysis.

ESSENTIAL CHECKLIST NO. 1
SITUATIONAL ANALYSIS

How can you prepare for the planning process? Answer the following questions as you get ready for analysing your current situation in the early stages of developing a marketing plan.

- ☐ What sources of information will help you identify and understand important developments affecting your goods or services, customers and competition? How can you obtain this information?
- ☐ What political changes, economic issues, social–cultural changes, technological trends, legal issues and ecological considerations will influence your ability to attract and retain customers?
- ☐ How can you research your competitors' marketing activities and market share to understand your competitive strengths and weaknesses?
- ☐ If you're marketing in more than one country, how will you monitor regional and international issues that can help or hurt your marketing efforts?
- ☐ What insights into the marketing successes and failures of other organisations can help you anticipate or understand changes in the internal and external environment?
- ☐ Who are your organisation's publics, and how is each group important to the effective implementation of your marketing plan?

Stage 3: Determine segmentation, targeting and positioning

No organisation has the resources (people, money or time) to serve every customer in every market. You will therefore use your research and customer knowledge to identify which specific subgroups can be effectively targeted through marketing. First, group your customers into **segments** based on characteristics, behaviours, needs or wants that affect their demand for or usage of your product. A segment may be as small as one customer or as large as millions of customers in multiple nations.

Next, decide on your **targeting** approach. Will you focus on a single segment, on two or more segments or the entire market? How will these segments be covered through marketing? For example, Toyota's Prius®, Renault's Zoe® and Nissan's Leaf® are among the automotive brands targeting buyers who are particularly interested in environmentally safe vehicles that use little or no petrol. Also formulate a suitable **positioning**, which means using marketing to create a competitively distinctive place (position) for the product or brand in the mind of targeted customers. Prius® appeals to its target market through its positioning as a fuel-efficient hybrid with distinctive styling. Zoe® is positioned as a convenient, popularly priced, all-electric vehicle. Leaf® is positioned as a fuel-efficient, all-electric car with advanced technology. **Chapter 4** discusses segmentation, targeting and positioning in further detail.

Stage 4: Set marketing plan direction and objectives

The direction of a marketing plan is based on your organisation's mission statement and higher-level goals. Most use marketing plans to support a direction of growth in one of nine ways, combining offerings and markets, as shown in Figure 1.2.[5] A marketing plan for growth will define objectives in financial terms (such as higher turnover) and marketing terms (such as higher market share). High-performing firms may strive to retain or attain the role of **market leader**, holding the largest market share and leading other firms

Markets ↕ / Offerings ↔		
Market existing products in existing markets	Modify existing products for existing markets	Market new products in existing markets
Market existing products in geographical expansions of existing markets	Modify existing products for dispersed markets	Offer geographically innovative products
Market existing products in new markets	Modify existing products for new markets	Offer new products in new markets

Figure 1.2 Growth grid

Source: After *Strategic Marketing for Nonprofit Organizations,* 6th Edn., Pearson Education Inc. (A. Andreasen and P. Kotler, 2003) p. 81; Prentice Hall, Andreasen, Alan; Kotler, Philip R, Strategic Marketing for Nonprofit Organizations, 6th Edn., © 2003, p. 81. Reprinted and Electronically reproduced by permission of Pearson Education. Inc, Upper Saddle River, New Jersey.

in product introductions and other activities. However, instead of aiming for growth, struggling companies may use their plans to sustain the current turnover, profit or market share situation.

Note that goals and objectives are not the same, although the words are often used interchangeably. **Goals** are longer-term targets that help a business unit (or the entire organisation) achieve overall performance and fulfil its mission; **objectives** are shorter-term performance targets that lead to goal achievement. Marketing expert Tim Ambler notes that key corporate goals must be connected throughout the organisation, including the marketing plan and individual marketing programmes, if the company is to succeed. He also advises firms to identify performance indicators for measuring marketing effectiveness.[6] In addition to financial and marketing objectives, marketers may define societal objectives, such as for social responsibility and ecological protection. Remember to allow for measuring progress towards all your objectives, as discussed below. For more about direction and objectives, see **Chapter 5.**

Stage 5: Plan strategies, programmes and support

In this stage, you will plan marketing strategies and tactics to achieve the objectives you set earlier. You will look not only at how to deliver value that meets customers' needs but also at the coordination of the basic marketing tools of product, price, place and promotion within individual marketing programmes. In addition, you should determine how to support the marketing effort with customer service and internal marketing. For practical reasons, you will probably not finalise all the details of your marketing activities until your plan has been approved and funded and is ready for implementation.

Product and branding

The product offering may be a tangible good such as a car or an intangible service such as personal finance advice. Often, however, an offering combines the tangible and the intangible, as when a mobile phone company markets phones (tangible) along with phone service (intangible) or a manufacturer markets robotic assembly equipment (tangible) and provides repair services (intangible). Tangible elements of the product include features, design, packaging, labelling and performance.

The brand is an intangible but extremely important part of the product offering. Every product must live up to the **brand promise**, which marketing experts Philip Kotler and Kevin Keller have defined as 'the marketer's vision of what the brand must be and do for consumers'.[7] Other intangibles to consider are benefits, quality perceptions and related services. Process elements important to product planning are the product mix/range, new product development, the product life cycle, ecological concerns and similar issues. A number of marketers are experimenting with **co-creation**, involving their customers in a highly collaborative effort to develop novel new products to satisfy needs. **Chapter 6** discusses how to plan product and brand strategy.

Many marketers have separate marketing plans and strategies for products sold in different markets. For example, Nestlé's product strategy for marketing KitKat® chocolate bars in Japan (https://nestle.jp/brand/kit/inbound/en) is different from its KitKat® product strategy for other markets.

MARKETING IN PRACTICE
NESTLÉ KITKAT®

Nestlé's KitKat® bars are among the world's most popular chocolate bars, with 22 billion sold every year. In most of the 100 nations where KitKat® bars are sold, the product has four wafer fingers sandwiched with chocolate. Not in Japan, where four is an unlucky number. Understanding this cultural nuance, Nestlé redesigned KitKat® bars to include six small fingers when they were introduced to Japan in 1973.

In Japanese, the KitKat® brand sounds similar to the phrase 'you will surely win'. Nestlé has built on this coincidence by promoting KitKat® bars as lucky gifts for students sitting college exams. Year after year, Nestlé has developed special products for this important moment, including a KitKat® bar that can be mailed to students with good-luck wishes. KitKat® products designed for holiday gift-giving include a sake-flavoured bar for Valentine's Day and a 'Sublime Gold' KitKat® topped with gold leaf for New Year's greetings. In addition, Nestlé targets gift-givers in Japan by marketing regional and seasonal variations of KitKat® bars. For example, gift packs of mini-KitKat® bars in strawberry cheesecake flavour are sold only in Yokohama, while gift packs of mini-KitKat® bars in sweet potato flavour are sold only in Okinawa.

Because KitKat® bars are considered a special treat in Japan, they are distributed through department stores, branded boutiques and other specialty stores, and they carry a premium price. Nestlé has partnered with a famous chef to develop intriguing flavour combinations (such as passion fruit and chilli) that capture the public imagination and generate social media attention. Consumers in Japan can even go to the brand's website and order KitKat® bars personalised with packaging featuring family photographs and messages, for special occasions.[8]

Marketing plan analysis:

Should Nestlé allow consumers to order packages of KitKats® personalised with their choice of flavour combinations? Why or why not?

Price

What should you charge for your goods or services? In planning price strategy, marketers must answer a number of key questions. Some are about external elements, such as the following:

- How do customers perceive the value of the good or service?
- What is the competition?
- How might market demand, channel requirements and legal or regulatory issues affect pricing?

Internal elements of pricing raise questions such as:

- How can price be used to reflect the positioning of the product, brand or organisation?
- How do costs affect revenues and profitability?

- How does the price fit with other marketing decisions and planning for other products?
- How can pricing capture value for the organisation and bring it closer to its objectives and goals?

When the Swedish retailer H&M® decided to begin selling cosmetics, it targeted fashion-conscious consumers interested in affordably priced, all-natural beauty products. The products had to be competitive with those of upmarket, organic beauty brands, yet also meet customers' perceptions of value. Working closely with suppliers, H&M® created the Conscious Beauty Collection of low-priced products that are certified eco-friendly. By controlling costs and providing value, H&M® can satisfy its customers and achieve its financial goals.[9] See **Chapter 7** for more about price and value.

Channel and logistics

Channel and logistics strategy – place strategy – is concerned with how customers gain access to the product offering, whether it's a tangible good or an intangible service. Will you market directly to your customers or make products available through intermediaries such as wholesalers and retailers? If you market to businesses, will you go through wholesalers, distributors or agents that serve business buyers, or deal directly with customers? The current trend is towards **multichannel marketing**, providing a variety of distribution channels for customers to choose from each time they make a purchase. Even e-commerce giants are adapting multichannel marketing to meet customers' needs. Online retail pioneer Amazon .com, for example, is opening physical stores to learn more about in-store marketing; in India, it pays small merchants to receive Amazon® deliveries on behalf of customers and serve as collection points for these packages.[10]

Other channel decisions involve customer preferences, number of channel members, market coverage and ecological impact. Also consider logistics such as shipping, storage, inventory management, order fulfilment and related functions. Whether you're marketing for a large corporation or a small business, the needs, expectations and preferences of customers should be deciding factors in planning your channels and logistics. These topics are covered in greater detail in **Chapter 8.**

Marketing communications and influence

Marketing communications and influence strategy (also called promotion strategy) covers all the tools you use to reach customers in your targeted segments. The point is to encourage two-way communication and influence the way customers think, feel and act towards the goods, services or ideas you are marketing. Marketing in *digital media* has become increasingly popular because of the ability to reach customer segments and generate *word of mouth,* which occurs when people tell other people about the brand or product. Other tools include public relations, sales promotion, special events and experiences, personal selling and direct marketing. See **Chapter 9** for more on this topic, and read **Chapter 10** to learn about digital, social media and mobile marketing.

Apple®, which markets iPhone® mobiles, Mac® computers and many other products, uses multiple communications tools to reach its target markets (see some examples in Table 1.1). Interestingly, its brand name is so strong that Apple® has chosen to be less active on social media than most companies, as this table shows.[11]

Table 1.1 Selected marketing communications examples: Apple®

Communications activity	Examples of use by Apple®
Advertising	Product adverts, magazine and newspaper ads, cinema ads, radio ads, digital ads, billboards
Social media	Apple® support on Twitter (@AppleSupport®), branded YouTube® channel, branded Tumblr account, LinkedIn pages, branded Pinterest® account, product accounts on Instagram® and branded Snapchat® Stories
Website	Official brand home page (www.apple.com) and country-by-country websites (such as www.apple.com/uk)
Public relations and product placement	High-profile new product introductions attended by hundreds of media representatives; sponsor of major musical tours and other special events; product placement in TV programmes and movies

Marketing support

You can plan to support your product, place, price and promotion strategies in two main ways. First, decide on an appropriate customer service level, in line with your positioning, resources and customers' needs or expectations. Business customers often require service before, during and after a purchase. For example, Munich-based Siemens®, a business-to-business marketer, offers training for employees of hospitals that buy its sophisticated medical equipment. It is also helping to educate new employees and business customers about production advances by inviting them to play PlantVille®, a social media game in which players solve common factory problems.[12] Second, you will need the commitment and cooperation of others to implement and control your plan. This requires *internal marketing*, activities designed to build relationships within the organisation and reinforce internal commitment to the marketing plan. **Chapter 11** describes customer service and internal marketing in depth.

Stage 6: Plan to measure progress and performance

Before implementing the marketing plan, you must decide on measures to track marketing performance towards achieving your objectives. This involves developing and documenting budgets, forecasts, schedules and responsibilities for all marketing programmes. You will also forecast the effect of the marketing programmes on future turnover, profitability, market share and other measures that reveal progress towards objectives.

Often marketers establish quantifiable standards (*metrics*) to measure specific marketing outcomes and activities. In many cases, these metrics look at interim performance of specific brands, individual products or product lines, geographic results, financial results, customer relationship results and so on. Deciding exactly what to measure – and how – is critical to effective implementation and control of a marketing plan. Siemens®, for instance, monitors growth in turnover and profit margins by product line, product and division in each market. It also tracks the number of new orders received in each month, quarter and year, by product, division and market, to track trends and pinpoint opportunities for extra marketing attention.[13] Refer to **Chapter 12** for more about planning to measure performance.

Stage 7: Implement, control and evaluate the plan

The real test of any marketing plan's effectiveness comes at implementation. For effective control, start with the objectives you've set, establish metrics and standards for measuring progress towards those targets, measure actual marketing performance, analyse the results and take corrective action if needed. The outcome feeds back to the beginning of the marketing planning process. Depending on your organisation and your plan, you may compare results with standards hourly, daily, weekly, monthly and quarterly. **Chapter 12** discusses planning for implementation, control and evaluation.

Documenting a marketing plan

As you move through each stage in the marketing planning process, take time to document your decisions and actions in a written marketing plan. Every marketing plan is unique, designed specifically for the individual organisation and its marketing situation. Although some plans may be recorded in only a few pages, larger companies generally have a formal format for presenting in-depth marketing plans by unit, brand and product.

Most marketing plans consist of the main sections shown in Table 1.2 (see the Appendix for another example). In practice, marketers cannot write the executive summary until all other sections have been completed, because its purpose is to offer a quick overview of the plan's highlights. And when one section of the marketing plan is changed in response to competitive shifts or other environmental trends, other sections will need to be re-examined as well. Note that the exact sections and order of sections will differ from one organisation to the next.

Now you're ready to begin your own marketing plan with an internal audit. You'll continue your situational analysis in **Chapter 2.**

Internal audit: The starting point for planning

Plans and decisions made at the top levels of the organisation provide guidance for planning in each business unit and in the marketing function. To prepare for a thorough internal analysis, part of Stage 1 of the marketing planning process, you first need to understand the interaction among the plans at all three levels.

Three levels of planning for strategy

At the top level, planning for **organisational (or corporate) strategy** governs your organisation's overall purpose and its long-range direction and goals, establishes the range of businesses in which it will compete and shapes how it will create value for customers and

Table 1.2 Contents of a typical marketing plan

Section	Purpose
Executive summary	To summarise the plan's objectives and main points, including what is being marketed and the market for this good or service
Current marketing situation	To explain the mission; present the results of the external audit of political, economic, social–cultural, technological, legal and ecological factors; analyse the competition; and provide background about markets, customers and current marketing activities
SWOT (strengths, weaknesses, opportunities, threats) analysis	To discuss internal strengths and weaknesses, external opportunities and threats that can affect marketing performance, and explain the organisation's response
Segmentation, targeting and positioning	To identify the segments to be targeted and explain how the product, brand or organisation will be positioned for the selected customer segment(s)
Objectives and issues	To show what the marketing plan is designed to achieve in terms of financial, marketing and societal objectives; to explain key issues that might affect the plan's implementation and success
Marketing strategy	To present the broad strategic approach that the plan will apply in providing value to achieve the objectives that have been set
Marketing programmes	To describe the set of coordinated actions used to create, communicate and deliver value through product, pricing, place, promotion, customer service and internal marketing activities
Financial plans and budgets	To back up the programmes with details about projected costs and profits, revenue forecasts and sales forecasts
Metrics and implementation controls	To indicate the organisation, responsibilities and schedules for implementation; explain metrics for measuring progress towards objectives; and include contingency plans for dealing with unexpected results and future scenarios

other stakeholders (including shareholders). Corporate strategy includes plans and goals for five or more years. These provide a framework for the set of decisions made by business managers who must move their units forward towards the goals, given the organisation's resources and capabilities (see Figure 1.3).

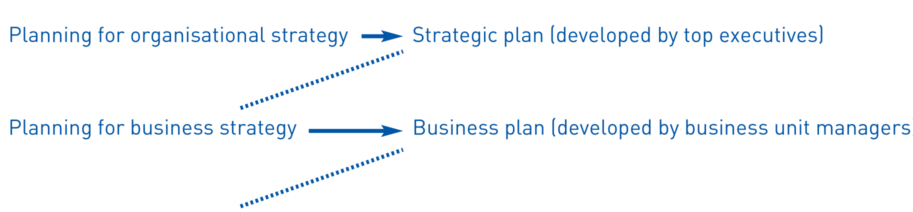

Figure 1.3 Planning on three organisational levels

Planning for **business strategy** covers the scope of each unit and how it will compete, what market(s) it will serve and how resources will be allocated and coordinated to create customer value. In establishing business strategy, senior managers must determine the portfolio of units needed to support the organisation's overall goals and the functions that should be emphasised or possibly outsourced. The business plan may span a period of three to five years.

Planning for **marketing strategy** involves determining how each unit will use the *marketing-mix* tools of product, price, place and promotion – supported by customer service and internal marketing – to compete effectively and meet business unit objectives. Typically, the marketing plan reflects the organisation's chosen marketing strategy for the coming year (but it may cover multiple years).

Because marketing is the organisational function closest to customers and markets, it is in the pivotal role of implementing higher-level strategies while providing information to decision-makers who shape corporate strategies. In a customer-oriented organisation, marketing is a priority and concern of everyone at every level. Thus, marketing integrates floor-up, customer-facing knowledge of the market and the current environment with top-down development, direction and fine-tuning of organisational and business strategies. Table 1.3 indicates the types of decisions at all levels of strategy, with examples showing how Reckitt Benckiser®, marketer of Dettol®, Mucinex® and Cillit Bang®, might apply them.[14]

Table 1.3 Levels of strategy

Strategy level	Examples of possible decisions at Reckitt Benckiser®
Corporate (Setting the direction, goals and strategy to guide the organisation)	• *Decisions about purpose*: Provide innovative solutions for people to have healthier lives and happier homes • *Decisions about direction*: Direction is global growth • *Decisions about long-range goals*: Goal is 4% annual revenue growth • *Decisions about focus*: Focus is health, hygiene and home products • *Decisions about value creation*: Create value through brand name, innovative products that help consumers live better and feel healthier • *Decisions about priorities*: Pursue high-performance growth, quality, efficiency and sustainability, having a positive impact on communities and on consumer education
Business (Implementing corporate strategy through decisions about business strategy)	• *Decisions about unit scope*: Scope is health, hygiene and home care • *Decisions about competitive approach*: Compete using the strength of best-selling brands • *Decisions about markets served*: Serve Europe, North America, Latin America, Asia, Russia, Middle East, Africa, Australia, New Zealand • *Decisions about resource allocation*: Invest in best-selling brands and emerging markets
Marketing (implementing business strategy through function-level decisions that support corporate strategy)	• *Decisions about product and brand strategy*: Offer new product innovations that solve consumer problems • *Decisions about pricing strategy*: Provide benefits for which consumers will pay a brand premium • *Decisions about channel and logistics strategy*: Achieve wide retail distribution • *Decisions about communications and influence strategy*: Engage and educate consumers about healthier living and product benefits • *Decisions about marketing support*: Fill channel orders completely and on time; share marketing news internally to reinforce coordination

The marketing plan is not the same as the business plan, although the two overlap to some extent. Sir George Bull, former chairman of J. Sainsbury, once observed that focus is what distinguishes the marketing plan from the business plan. 'The business plan takes as both its starting point and its objective the business itself', he said. In contrast, 'the marketing plan starts with the customer and works its way round to the business'.[15]

Marketing and the mission statement

Plans at all levels are made with the **mission statement** in mind. This concise statement explains the organisation's purpose, points the way towards what it aspires to become and guides planning at all levels. As you conduct an internal analysis, review your organisation's mission statement as the foundation for decisions about marketing activities and resources. The mission can also be an important point of competitive differentiation, notes the global head of marketing communications for Philips®, which markets medical devices and other products. She says: 'We all have infinite choices on who to buy from these days but what makes brands stand out are brands who don't just try to sell products but have a purpose and stand for something'.[16]

A mission statement should look to the future, be credible, clarify priorities and set the tone for the organisation by touching on five areas:

- *Customer focus*. Who does the organisation exist to serve? Businesses generally serve consumers, other businesses or government customers; non-profit organisations serve clients (such as patients, in the case of hospitals); government agencies serve constituents. The mission of the UK-based charity Comic Relief is 'to drive positive change through the power of entertainment' by raising money to relieve poverty and social injustice. Thus, Comic Relief exists to serve people who will benefit from the charitable causes it supports.
- *Value provided*. What value will the organisation provide for its customers and other stakeholders, and how will it do so in a competitively superior way? Companies profit only when offerings provide value that customers need or want. For instance, the mission of Carnival, which markets cruises under multiple brands, is 'to deliver exceptional vacation experiences through the world's best-known cruise brands that cater to a variety of different lifestyles and budgets, all at an outstanding value unrivalled on land or at sea'.
- *Market scope*. Where and what will the organisation market? Defining the market scope helps management properly align structure, strategy and resources. Multinational giants such as Coca-Cola® aim to operate all over the world. Other businesses, like the David Jones® department store chain in Australia and Macy's® department stores in the United States, choose a specific geographic region as the scope.
- *Guiding values*. What values will guide managers and employees in making decisions and dealing with stakeholders? What does the organisation want to stand for? Kingfisher®, the parent company of the UK DIY retail chain B&Q and other home improvement retailers, lists these values as its priorities: to (1) be guided by customers' reality and needs; (2) have a unique and unified offer of quality and choice at good value; (3) offer a seamless customer journey, whether buying occurs in a store or online; (4) have a committed team of knowledgeable employees willing to help customers.

- *Core competencies*. What employee, process and technological capabilities give your organisation its competitive edge? These are its **core competencies** (sometimes known as *distinctive competencies*) – internal capabilities that are not easily duplicated and that differentiate the organisation from its competitors.[17]

Walmart® (www.walmart.com) has built the world's biggest retail business by depending on its core competency: getting the right merchandise to the right place at the right time, at the right price.

MARKETING IN PRACTICE
WALMART®

No retailer on Earth sells as much merchandise as US-based Walmart®, which operates thousands of stores in 28 countries. Although price is a major factor in Walmart's® international success, its core competency in distribution excellence keeps costs low and speeds merchandise to stores and customers when and where needed. Over the years, Walmart® has invested billions of dollars in facilities and technology to efficiently manage the movement of merchandise from suppliers to warehouses, distribution centres and stores. Walmart® de Mexico, for example, runs 14 state-of-the-art distribution centres that receive merchandise from hundreds of suppliers and deliver the proper product assortment to each of its 442 stores in Mexico and Central America.

In the US, Walmart® keeps 6,000 lorries busy hauling merchandise from hundreds of distribution centres to 4,600 stores stretching from coast to coast. The company tightly schedules stock replenishment according to customer demand at the store level and demand from e-commerce purchases. Given the rise of online shopping and the trend towards multichannel marketing, Walmart® has established special e-commerce fulfilment centres, each capable of handling 500,000 items at a time. That's ten times the number of items that flow through a traditional Walmart® distribution centre.

Having focused on store-based retailing for most of its history, Walmart® still lags behind Amazon® in e-commerce sales. For competitive reasons, many of Walmart's® US stores now offer same-day, in-store collection of online purchases and, for extra convenience, kerbside pick-up of grocery orders placed online. Now Walmart's® core competency in distribution is helping the retailer approach its short-term goal of exceeding €30 billion in e-commerce sales and challenging Amazon® with speedier, customer-pleasing delivery and service.[18]

Marketing plan analysis:

Should Walmart® have a lot of inventory waiting in warehouses for quick replenishment, to avoid empty shelves and disappointed shoppers? Why or why not?

A good mission statement should be concise, relevant and inspiring. Use Checklist No. 2 as you develop a mission statement for your marketing plan. Then read **Chapter 2** for more about analysing the current marketing situation.

ESSENTIAL CHECKLIST NO. 2
THE MISSION STATEMENT

Before you can develop a marketing plan, you need to know who the organisation exists to serve, what it expects to achieve in the long run and – in general terms – how it will compete, now and in the future. If you're preparing a plan for an existing organisation, obtain a copy of the mission statement and answer each of the questions below to evaluate both the content and the likely effect. If your organisation has no mission statement or if you're developing a marketing plan for a start-up or hypothetical company, use this checklist as you devise a suitable mission statement.

- ☐ Who will the organisation focus on as customers, clients or constituents?
- ☐ How will it provide value for customers and other stakeholders?
- ☐ What guiding values will the organisation adopt?
- ☐ Does the mission statement provide appropriate direction for organisational decisions, actions and resource allocation, including marketing planning?
- ☐ Is the mission statement credible to all publics, capable of rallying and inspiring employees and customers?
- ☐ Is the mission statement powerful and purposeful to endure for the long term and guide the organisation into the future?

CHAPTER SUMMARY

Marketing planning is the structured process that leads to a coordinated set of marketing decisions and actions, for a specific organisation and period. This process consists of seven stages: (1) analyse the external and internal situation; (2) research and analyse markets and customers; (3) determine segmentation, targeting and positioning; (4) set marketing objectives and direction; (5) plan marketing strategies, programmes and support; (6) plan to measure progress; and (7) implement, control and evaluate the plan. Marketing planning is used to examine opportunities and potential threats, identify and evaluate various outcomes, focus on customers, assess offerings in a competitive context and allocate resources for marketing.

The marketing plan outlines the marketplace situation and describes the marketing strategies and programmes that will support the achievement of business and organisational goals. Marketing plans must be specific and flexible to help firms prepare for the new and the unexpected. **Organisational (corporate) strategy** sets the organisation's overall purpose, long-term direction, goals, business units and approach to value. Business strategy sets the scope of individual units, how each will compete, the markets each will serve and how resources will be used. Marketing strategy shows how units will use the marketing mix plus service and internal marketing to achieve objectives. The mission statement outlines the organisation's fundamental purpose, the future vision of what it can become and its priorities, to guide the development of the marketing plan.

A CLOSER LOOK

MARKETING AT PRIMARK®

Competing against fast-fashion powerhouse retailers like H&M® as well as more traditional clothing retailers like Old Navy, Primark® uses its marketing plan to apply its unique strengths and advantages in serving customers. The company's stores in the UK, Ireland, Belgium, Italy, Austria, France, Spain, the Netherlands, Germany and the US stock clothing for the entire family, plus trendy accessories for the home. Primark's® brand promise is reflected in its ability to offer an ever-changing range of new styles at ultra-low prices. It buys in huge volume for economies of scale, avoids expensive advertising, aims for speedy inventory turnover and accepts profit margins as low as 11 per cent, all to keep prices at rock bottom. Unlike many marketers, Primark® often includes price details in its social media posts and its website, to show just how inexpensive its products really are. Even considering the financial and economic consequences of the UK's exit from the European Union, Primark's® low-price positioning gives it a competitive advantage as it expands beyond its home market.

As popular as Primark® is in Ireland and the United Kingdom after decades of building the brand and building customer relationships, it has to start the process over when expanding to new markets. The firm uses low-cost social media, public relations and special events to introduce its brand and attract customers to store openings. Primark® has nearly 5 million Facebook® fans and millions more followers in other social media. Its website engages brand fans by presenting images of the latest fashion collections, complete with prices. On the site are dozens of Primania® pages filled with crowdsourced images of Primark® styles worn by customers eager to share their personal fashion looks.

Primark's® distribution strategy focuses on physical stores and warehouses. Given the very low prices and slim profit margins, the company has decided against the expense of developing an online retail operation. In fact, the cost of shipping an item to a customer might very well exceed the item's price, making e-commerce uneconomical. Plus, when crowds gather to scoop up bargains at a new store opening, the buzz created in traditional and social media multiplies the Primania® effect and attracts more shoppers to local stores.

As a result, Primark's® marketing strategy must include a robust behind-the-scenes system for managing store-by-store inventory. In the past three years, it has doubled its warehouse capacity so it can efficiently receive, sort and distribute products throughout its fast-growing retail empire. Inventory management is also important because Primark® wants to avoid being overstocked with products that sell slowly or go out of style quickly. Some fashions sell better in certain markets and are less popular in others, so Primark® has to understand local tastes and stock products that will satisfy each market's customers. Although Primark's® business depends on fast fashion, it is also concerned about sustainability and social responsibility. The company participates in initiatives to protect the environment, support recycling, promote worker safety and help the communities where it operates.[19]

Questions

1. Do you agree with Primark's® approach to multichannel marketing? Explain your answer.
2. How is Primark® building on its core competencies to provide value?

APPLY YOUR KNOWLEDGE

Choose a particular industry (such as biscuits or retailing) and research the mission statement and recent marketing activities of two competing businesses. Prepare a brief oral or written report summarising your comments.

- What do the mission statements say about the customer focus, value creation, market scope, guiding values and core competencies of these companies?
- For each company, how do specific marketing actions appear to relate to the stated mission? As an example, does the advertising reflect the customer focus in the mission statement?
- Now look more closely at the mission statement of one of these companies, keeping in mind the questions in Checklist No 2. What changes would you suggest to make the statement more effective as a guide for the marketing planning process or as an inspiration for managers and employees?

BUILD YOUR OWN MARKETING PLAN

By the end of this course, you will know how to work through all the stages in the marketing planning process and how to document a marketing plan. Depending on your lecturer's instructions, you will base your marketing plan on an actual organisation (as if you were one of its marketing managers), a hypothetical company or a non-profit organisation. As you complete each of these cumulative exercises, record your findings and decisions in a marketing plan. Refer to the order of topics shown in Table 1.2 and the sample marketing plan in the Appendix to see how decisions are documented.

Define the mission statement of your hypothetical organisation or choose and analyse the mission statement of the existing organisation for which you will be preparing a marketing plan. Apply the questions in Checklist No. 2 to create a new mission statement or, if necessary, amend the current statement of the real business you've chosen. What does this mission statement suggest about the organisation's purpose? Is it effective for planning purposes?

In preparation for later stages of the marketing planning process, list your ideas about the markets and customers to be researched and analysed, the product offering(s) your plan will cover, the organisation's competitive situation and its guiding values. Also look at the general direction you expect the marketing plan to take: is it likely to drive a growth strategy, sustain current turnover or support retrenching? Finally, write a few lines about what a one-year marketing plan needs to accomplish to lead the organisation closer to its long-term goals. Save your notes for use in completing later assignments.

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2

Analysing the current situation

Learning outcomes

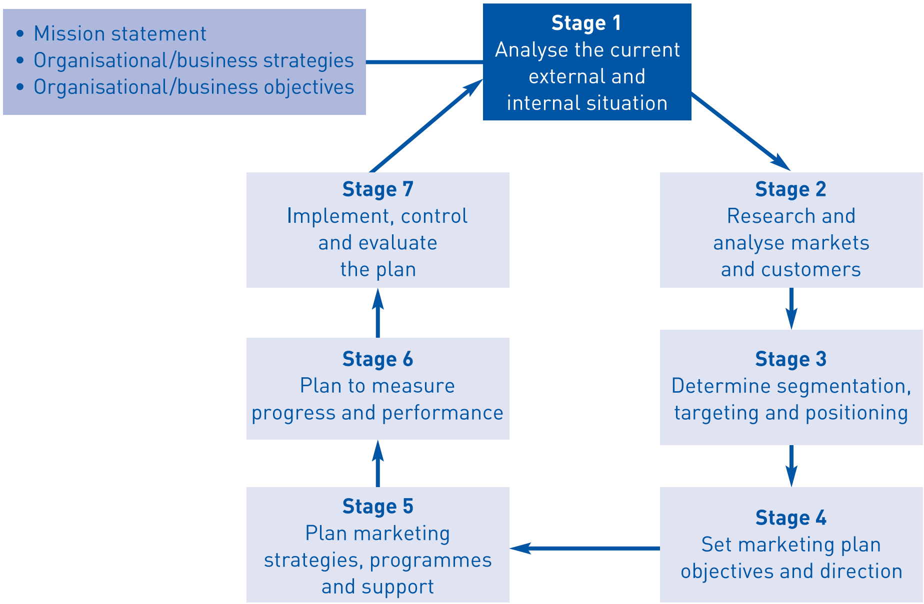
After studying this chapter, you will be able to:

- Explain the purpose of internal and external audits.
- Discuss how the internal and external environments affect marketing planning.
- Describe the use of SWOT analysis for marketing planning.

Application outcomes

After studying this chapter, you will be able to:

- Conduct internal and external audits.
- Prepare a SWOT analysis for your marketing plan.



CHAPTER PREVIEW

MARKETING AT L'ORÉAL

With 32 main brands and €25 billion in annual turnover, L'Oréal's mission is to meet the beauty needs of consumers worldwide by offering innovative cosmetics that are top-quality, safe and effective. The French company (www.loreal.com) is known for such upmarket brands as Lancôme and Armani, mainstream brands like Maybelline New York and Garnier, specialty skincare brands such as Vichy®, and brands for beauty professionals, including Redken® and Matrix.

By analysing the external marketing environment and matching the most promising opportunities with its strengths, L'Oréal is seeking growth and competitive advantage. For example, its Makeup Genius smartphone app combines the firm's knowledge of consumer behaviour with technology that allows consumers to 'try on' different cosmetics from L'Oréal's brands in a virtual way. This encourages experimentation without risk, important because consumers cannot always be sure a beauty product is right for them before they make a purchase. The app has been downloaded more than 15 million times, and, in some countries, consumers can even purchase L'Oréal items through the app. Makeup Genius is particularly popular in China, where Internet usage and mobile connectivity are high.

After researching advances in wearable technologies, and noting positive consumer reaction to such products, L'Oréal created My UV Patch, a high-tech disposable patch that adheres to the skin for five days to register sun exposure. The patch synchs with a smartphone app so users can track their daily exposure and receive personalised recommendations for preventing skin damage. L'Oréal initially gave the patch away for free to raise awareness of sun exposure and to build goodwill for its high-end La Roche Posay brand.[1]

This chapter continues with Stage 1 of the marketing planning process, in which you collect and interpret data about the internal and external environment. L'Oréal, for instance, gathers and analyses a great deal of information about developments outside the company – such as new technology – as well as examining its own customer database and internal records to understand trends. This chapter explores environmental scanning and analysis, including how to perform internal and external audits. You'll also learn how to evaluate your organisation's strengths, weaknesses, opportunities and threats. The two checklists in this chapter will guide you through environmental scanning. Also look at the sample marketing plan in the Appendix for additional ideas for scanning and analysis.

Environmental scanning and analysis

Early in the marketing planning process, you have to look at the organisation's current situation within the context of the mission, higher-level plans and higher-level goals. This is accomplished through **environmental scanning and analysis**, the systematic (and ongoing) collection and interpretation of data about both internal and external factors that may

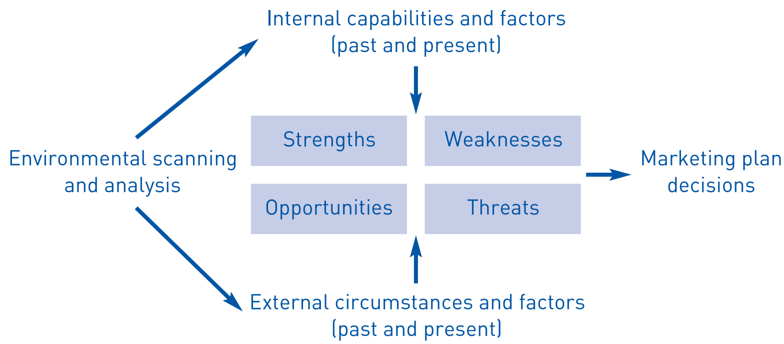


Figure 2.1 Environmental scanning and marketing planning

affect marketing and performance. When examining the situation inside the organisation, you'll use an **internal audit**; when examining the situation outside the organisation, you'll use an **external audit**.

Once you gather all the relevant information, you evaluate and distil it into a critique reflecting your firm's primary strengths, weaknesses, opportunities and threats, known as the **SWOT analysis**. In addition, many marketers conduct a SWOT analysis of current or potential rivals to clarify the competitive situation. This helps you develop a marketing plan to leverage internal strengths, bolster internal weaknesses, take advantage of competitors' main weaknesses and defend against competitors' strengths, as shown in Figure 2.1.

Details count in any environmental scan, but professional judgement plays a vital role as well. Use your best judgement (supported by other managers' insights, industry analyses and so on) to develop the most reasonable marketing plan under the circumstances. Over time, you'll develop a keener sense of how various environmental factors interact and how they're likely to affect your organisation and marketing. Also consider the resources and viewpoints of customers, partners, suppliers and other publics as you scan an uncertain marketing environment in search of creative opportunities and viable strategies. Having the flexibility to make changes during planning and implementation can give you an important competitive edge over firms that do not, or cannot, react quickly and decisively.

Internal audit: identifying strengths and weaknesses

The internal audit covers the mission statement (as discussed in **Chapter 1**) plus your organisation's resources and capabilities, current offerings, previous performance, business relationships and key issues. These internal factors, individually and in combination, are instrumental in the way your company fulfils its mission, serves customers and competes in the marketplace. Just as important, these factors contribute to the firm's strengths and weaknesses in using marketing to deal with opportunities and threats. Remember that internal factors are under your organisation's direct control, whereas external factors are not.

A **strength** is an internal capability or factor that can help the organisation achieve its objectives, making the most of opportunities or deflecting threats. For example, three of Rolls-Royce's® great strengths are: (1) the capability to engineer high-performance car engines; (2) the skill to hand-craft luxury bespoke vehicles for individual buyers; and (3) a long-standing reputation for quality and excellence. These strengths (which the firm controls, and which relate to what customers value) have helped Rolls-Royce®, now owned by BMW®, to sell more than 3,700 vehicles worldwide at high-end prices that reflect the vehicles' status and quality.[2]

A **weakness** is an internal capability or factor that may prevent the organisation from achieving its objectives or effectively handling opportunities and threats, especially within the competitive context. The high cost of hand-crafting every vehicle is one potential weakness for Rolls-Royce®, although its bespoke design and production capabilities add cachet, with higher-priced customised vehicles selling well.[3] Another possible weakness is limited production capacity, which could be a problem if the Ghost® and Dawn® models prove particularly popular. Again, these elements are under Rolls-Royce's® control, and can be adjusted if necessary.

When auditing your internal strengths and weaknesses, search company records and databases for information such as current offerings, finances, personnel and skills, technological expertise, supplier relations, distributor connections, partnerships, previous marketing plans and results.

External audit: identifying opportunities and threats

The external audit covers a number of key factors in the environment. These include political; economic; social, cultural and ethical; technological; legal; and ecological factors (known as **PESTLE**) plus competitive factors that may present opportunities or pose threats. An **opportunity** is an external circumstance or factor that the organisation can attempt to exploit for higher performance. For example, Rolls-Royce® identified the demographic trend towards more Russian billionaires living in Moscow as an opportunity to open a second dealership. Now the brand's sales in Russia are growing much more quickly than Russian sales of non-luxury vehicles.[4] Rolls-Royce® can't control market conditions, but it can use its strengths and capabilities to profit from opportunities.

A **threat** is an external circumstance or factor that is not under the firm's control, but could inhibit organisational performance, if not addressed. Many luxury car manufacturers are entering the same markets as Rolls-Royce®, for the same reasons: rising income levels are boosting demand for upmarket cars. This increased competition could be a threat if Rolls-Royce® doesn't monitor its rivals' moves and respond quickly or if Rolls-Royce® veers away from its long-time strategy of marketing top-quality, status-symbol cars. As another example of an external threat, the UK vote to exit the European Union affected Rolls-Royce's® financial plans and profit performance, because of changes in the foreign-exchange position of the UK pound sterling against currencies in other nations where the company operates.[5]

Sources for an external audit include internal information about customers, suppliers, partners, market share and technical standards; customer feedback through surveys, suggestions and complaints; government, academic or syndicated studies of the market, the industry and competition; industry groups; employees, suppliers and other partners; media and online reports; and special-interest groups. Later in this chapter, you'll read more about the external audit.

SWOT analysis

Once you have data from internal and external audits, you'll prepare a SWOT analysis to make sense of what you have learned and interpret it in the context of the organisation's situation, mission and goals. The purpose of environmental scanning and SWOT analysis is to match key strengths with opportunities and use strengths to offset weaknesses and threats (see Table 2.1).

Four criteria can help you determine whether a particular capability, resource or factor is actually a strength or a weakness:[6]

1 *Previous performance*. How has the factor affected earlier performance, as measured by trends in turnover and profitability, market share, customer satisfaction, employee productivity or other appropriate standards? Are prior trends and performance likely to continue?

2 *Outcomes*. How has the factor contributed to specific outcomes defined by objectives and goals? Will the factor be likely to influence short- and long-term outcomes in the future?

3 *Competitors*. How does the factor compare with that of competitors, and is significant change likely to occur in the future?

4 *Management judgement*. How do organisational managers view the factor and what changes, if any, do they foresee in the coming months or years?

Table 2.1 Applying SWOT Analysis

Strengths *Internal and controlled by the organisation* - Based on internal audit of resources, capabilities - Understand the effect on an opportunity or threat	**Weaknesses** *Internal and controlled by the organisation* - Based on internal audit of resources, capabilities - Understand the effect on an opportunity or threat
Opportunities *External and not controlled by the organisation* - Based on external audit of marketing environment - Use marketing strategy based on strengths to pursue opportunities for higher performance	**Threats** *External and not controlled by the organisation* - Based on external audit of marketing environment - Use marketing strategy based on strengths to minimise the possible negative effect of threats

The point is to single out the most important factors as strengths (to be employed) and weaknesses (to be counteracted). When your environmental scans identify potentially profitable opportunities or challenging threats, you'll need the proper strengths to make the most of your marketing situation and new opportunities, as Experian® (www.experianplc.com) has been doing.

MARKETING IN PRACTICE
EXPERIAN®

With global headquarters in Dublin and a corporate office in London, Experian® specialises in collecting and analysing data to help business customers make more informed decisions about granting credit, processing payment transactions, hiring qualified employees and building relationships with consumers. It also markets credit score information, credit monitoring services and identity fraud protection to consumers. Experian® generates 3.8 million credit reports every day and manages data of about 890 million people worldwide.

Experian® uses its internal strengths to fuel marketing strategies aimed at minimising external threats and profiting from opportunities. During the recent recession, it targeted new UK financial services firms (an opportunity) because existing bank customers were not buying as many credit reports as in the past (a threat). It also entered additional markets such as Latin America (an opportunity), where higher demand from banks and utilities is now paying off in the form of higher revenues. One threat, external and unpredictable, is the possibility of hackers stealing data that Experian® maintains for its business customers. Another threat is the possibility that foreign currency fluctuations will affect the company's revenues and profits, especially in Latin America. Finally, political changes such as the UK's withdrawal from the European Union, plus new regulations and laws, could be threats if they force major changes in the way Experian® is required to collect, store, analyse or communicate data.[7]

Marketing plan analysis:

If you were a marketer for Experian®, how would you use the firm's strengths to attract new business customers in new regions?

Once you've assessed your main strengths and weaknesses and your main opportunities and threats, summarise and document the results in your marketing plan.

Analysing the internal environment

During an internal audit, you will scan and analyse five main factors: the organisation's resources and capabilities, current offerings, previous performance, business relationships and key issues. You are looking for information that can help you understand your organisation's current situation and the strengths you can rely on when implementing a marketing plan.

Organisational resources and capabilities

As noted in **Chapter 1,** core competencies are internal capabilities that contribute to competitive superiority yet are not easily duplicated. Such capabilities are traced to the organisation's human, financial, informational and supply resources (see Table 2.2).

When planning for marketing, you must balance the investment and allocation of resources. The organisation's values, ethical standards and social responsibility position also affect this balancing act. The internal audit helps managers determine the resources they have, the resources they can obtain and where their resources are currently committed. This is the starting point for identifying any resource gaps and determining how best to allocate resources in support of the marketing plan.

Outsourcing, strategic alliances and supply chain realignment are three ways organisations can gain or supplement resource arrangements to bridge any gaps for added strength. A growing number of marketers are meeting some or all of their data storage and information technology needs by outsourcing to cloud-based services. Outsourcing, in turn, opens new opportunities for companies to compete for the business of these marketers. Google, for example, is differentiating its cloud services by offering sophisticated data analytics to help businesses better target their customers. Spotify®, the music-streaming service, switched from Amazon® to Google for cloud storage because it wanted to access Google's analytical capabilities.[8]

Current offerings

In this part of the internal audit, you review and analyse the goods and services currently offered so you know where you stand before making plans to move ahead. Also understand

Table 2.2 Analysing organisational resources

Human resources: Does your company have the people, commitment and rewards to successfully implement your marketing plan? Specifically examine: • workforce knowledge, creativity, skills, morale, experience and turnover • top management support • individual commitment, initiative and entrepreneurial spirit • recruitment, training and rewards	**Informational resources:** Does your company have the data, tools and access to information to successfully implement your marketing plan? Specifically examine: • data capture, storage and reporting systems • analysis systems • access to timely, accurate and complete information • ability to provide customers and customer service employees with information throughout the buying process
Financial resources: Does your company have the money to successfully implement your marketing plan? Specifically examine: • funding for marketing activities • funding for research and testing • funding for internal support, including upgraded technology • funding for multi-year programmes	**Supply resources:** Does your company have the supplies, supply systems and relationships to implement your marketing plan? Specifically examine: • ample availability of materials, parts, components and services • supply chain relationships and ethical sourcing • inventory management • transportation alternatives

how your organisation's offerings relate to the mission and to your resources. If records are available, review the following data, looking at both historic and current trends:

- composition, sales and market share of product mix and ranges;
- customer needs satisfied by features and benefits;
- product pricing and profitability, contribution to overall performance;
- product age and position in product life cycle;
- links to other products.

Previous performance

Although past performance is never a guarantee of future performance, looking at previous results can reveal insights about internal strengths and weaknesses. The purpose is to build on past marketing experience in planning new marketing activities. At a minimum, you should analyse these performance indicators:

- prior year sales (in units and monetary terms);
- prior year profits and other financial results;
- historic trends in sales and profits by product, geographic region, customer segment, etc.;
- results of previous marketing plans (in the context of the overall environment);
- customer acquisition, retention and loyalty trends and costs.

As businesses collect more information about customers and markets, the result is **Big Data**, meaning unusually large, changeable and/or diverse sets of data that require special tools to analyse and interpret. Companies must employ **data mining**, sophisticated analyses of database information, to uncover customer behaviour patterns within Big Data and apply these insights to marketing plans. Retailers are particularly interested in Big Data because of the possibilities of increasing repeat purchasing and reinforcing store loyalty. Consider how the Coles® supermarket chain in Australia (www.coles.com.au) analyses its customer loyalty data to enhance its competitive position.

MARKETING IN PRACTICE
COLES®

Coles® is a marketing savvy retailer in Australia, with more than 2,300 grocery, liquor and convenience stores. It enjoys a market share in Australia's grocery sector that exceeds 20 per cent. More than half of the households in Australia participate in its loyalty programme, so Coles® collects a great deal of data to support its marketing decisions. In fact, Big Data constitutes an important corporate strength for Coles®.

From its loyalty data, Coles® knows how many people are in each member household, their ages and purchasing preferences. Members receive personalised weekly e-mails highlighting price promotions on just the items they regularly buy in their local Coles® store. Customers appreciate the convenience of seeing offers that are relevant to them, and the firm gains the benefit of showcasing its low prices during competitive price wars. Coles® can also determine, by examining purchasing data, whether its marketing decisions are having the desired effect.

By searching for patterns within the purchasing data, the retailer can pinpoint potential new store locations and identify specific customer segments for marketing attention. This is especially important as Coles® faces fierce competition from long-time local rivals such as Woolworths® and from retailers that have recently entered the market, such as Germany's Aldi® discount-grocery chain. Finally, Coles® gains insights into customers' likes, dislikes and interests by encouraging digital interaction, not just through its e-commerce site but also via social media, including Facebook®, Twitter® and YouTube®.[9]

Marketing plan analysis:

Beyond tracking the number of likes or followers, how can Coles® use data generated by its social-media presence to learn more about its customers?

Business relationships

Good business relationships can act as strengths, helping organisations make the most of opportunities or defend against threats and profitably satisfy customers. Among the areas of business relationships to be examined during an internal audit are:

- value added by suppliers, distributors and strategic alliance partners;
- internal relationships with other units or divisions;
- capacity, quality, service, commitment and costs of suppliers and channel members;
- changes in business relationships over time;
- level of dependence on suppliers and channel members.

The existence of a business relationship is not in and of itself a strength. Moreover, not having strong connections with vital suppliers or channel members can be a definite weakness when an organisation is seeking aggressive growth or simply struggling to survive. Yet close connections with channel members and suppliers can be a competitive advantage – except in those rare instances when channel members or suppliers struggle. For years, Takata® supplied millions of airbags to Toyota®, Honda®, Ford® and other leading car manufacturers. Then widespread vehicle recalls due to injuries from faulty airbag inflators prompted many manufacturers to stop buying from Takata® and find alternative suppliers.[10] As you prepare your marketing plan, think about how your business relationships will affect your ability to serve customers and achieve objectives.

Key issues

What specific issues could interfere with the firm's ability to move towards the mission and goals, and what are the warning signs of potential problems? What specific issues are pivotal for organisational success? Take a broad look at the key issues and then dig deeper to understand the implications for your targeted customer segments, markets and products.

Start-ups and fast-growing firms have unique issues that must be addressed during planning and early growth. Consider the 'challenger banks' that have been founded in recent years, challenging established banks such as HSBC® and Barclays® by targeting well-defined customer niches and offering specialised or personalised services. Metro Bank® was the first UK start-up high-street bank to apply for a licence in 100 years, and it has been followed by other UK challenger banks, including Oak North® and Virgin Money®. A key issue for bank start-ups is compliance with regulatory requirements. Another key issue is competitive differentiation. Metro Bank® differentiates itself with customer-friendly, seven-day banking in branches set up to look and function like stores. Oak North® has identified the niche of entrepreneurs as a profit opportunity for marketing banking products such as business loans.[11] If you are starting a new business, consider what you must do to be competitively superior while progressing towards key objectives such as profitability.

ESSENTIAL CHECKLIST NO. 3
THE INTERNAL ENVIRONMENT

To formulate a realistic marketing plan, you must be knowledgeable about what your organisation has, where it has been and what it can leverage. If you're planning for a start-up or a hypothetical company, use this checklist as a guide to identifying potential weaknesses and strengths.

- ☐ Do you have appropriate human, informational, financial and supply resources?
- ☐ What do trends in marketing results and organisational performance suggest about the effectiveness of previous plans and the content of future plans?
- ☐ What goods and services are currently offered and how do they contribute to competitive advantage, customer value and organisational goals?
- ☐ What are the trends in customer needs, acquisition, retention and loyalty?
- ☐ How do business relationships affect capacity, quality, costs and availability?
- ☐ What marketing research does the organisation need to support marketing planning?
- ☐ What lessons can be applied to the marketing plan, based on the internal audit?

Analysing the external environment

In contrast to the factors in the internal environment, which offer clues to strengths and weaknesses, the factors in the external environment offer clues to opportunities and threats (see Figure 2.2). These factors also suggest additional lines of inquiry for researching and analysing markets and customers (as discussed in **Chapter 3**).

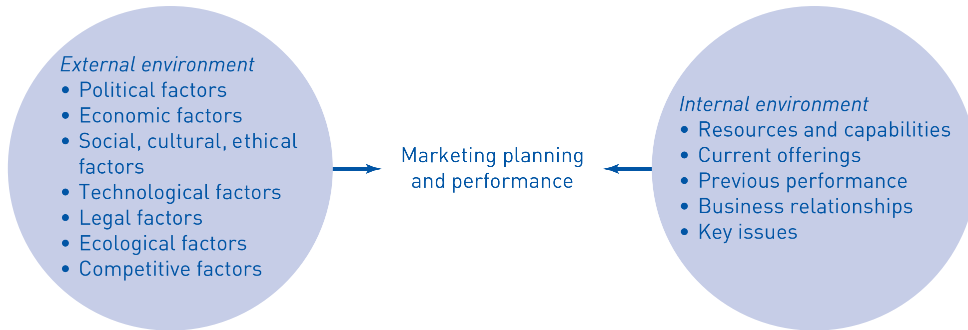


Figure 2.2 Factors in the external and internal environments

Remember, the external audit is intended to help you identify trends or situations that you can exploit through marketing planning – and issues or circumstances that you should defend against through marketing planning. When you write your marketing plan, you'll summarise the most important point or points about each of these factors as you explain your organisation's current marketing situation. The following sections look at PESTLE and competitive factors in more detail. The checklist at the end of this section includes specific questions to ask when analysing the external environment.

Political factors

Depending on where your organisation is based and where it does business, political factors can lead to profitable opportunities or potential threats (or both). Political instability in one nation or a region can pose a threat to ongoing operations. Changes such as new political leaders or new political initiatives and policies can also lead to new marketing possibilities. Local, regional and international political actions – including embargoes and changes to trade agreements – can make current and new markets more or less attractive to businesses. Your analysis should look at how the various political factors might affect the current marketing plan (such as in your choice of markets) and your future plans (to continue in a particular market, for instance). After the UK referendum on European Union membership resulted in a 'leave' decision, UK marketers that sell in Europe had to re-examine their strategies and plans because of expected changes in trade agreements. Political factors are often closely linked to legal factors, which are discussed later in this chapter, and to economic factors, discussed next.

Economic factors

In the interconnected global economy, conditions in one region can have a cascading effect on the purchasing patterns of consumers and businesses near and far. Economic factors influence customer buying power because of the effect on consumer and business income, debt and credit usage. Economic slowdowns often discourage businesses from spending heavily on facilities and equipment, for instance, or discourage governments from pursuing infrastructure projects. Even if the home country economy is growing slowly, however, a company may create a marketing plan around opportunities in countries with more favourable economic outlooks.

Currency fluctuations are another economic factor that can affect both costs and profits. Nestlé is headquartered in Switzerland, and when the Swiss currency is strong relative to other countries' currencies, Nestlé feels the effects because it manufactures and exports Nespresso® coffee capsules from Switzerland.[12] Following the UK vote to exit the European Union, currency fluctuations hurt the costs or profits of some firms that were buying or selling in pounds sterling. US-based Dell, for example, raised its UK wholesale prices for computer components a month after the Brexit vote because it felt a financial squeeze as the US dollar strengthened against the value of the pound sterling.[13] So keep the economic situation in mind when you set your marketing plan objectives (see **Chapter 5**).

Social, cultural and ethical factors

Social and cultural factors are among the most dynamic in the external environment, affecting the size and composition of markets and segments as well as customers' requirements, characteristics, attitudes and perceptions. Population shifts due to higher or lower birth rates, longer life spans and immigration can create, expand or shrink markets. Along with these shifts come changes in demand and usage of different goods and services – key changes that must be considered in marketing planning. For example, the ageing world population (see Figure 2.3) is

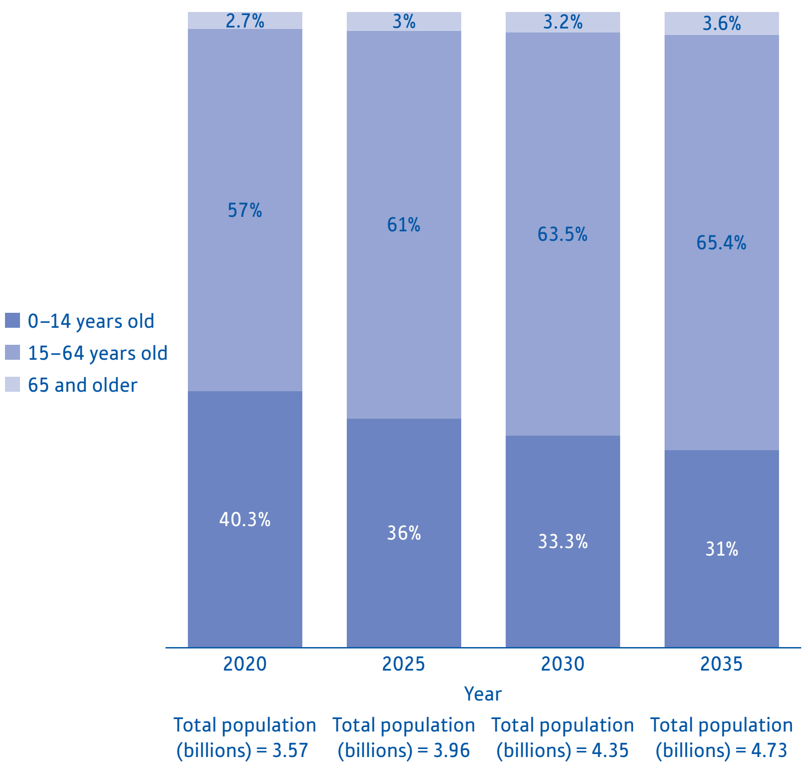


Figure 2.3 World population projections, 2020–2035

Source: Based on data from the World Bank, 'Population estimates and projections', http://data.worldbank.org/data-catalog/population-projection-tables.

likely to create new opportunities for catering to the needs of consumers over 65, as well as opportunities for businesses that sell to businesses targeting older consumers.

When planning for marketing to consumers, examine demographic details such as gender, education, occupation, ethnic and religious composition, household size, household composition and household income, any or all of which can affect individual and family purchasing and product usage. At the same time, remember that customers are real people, not numbers; they have distinct emotions and attitudes towards companies, brands, products and buying situations, which influence how they think, feel and act. Companies that market to businesses should look closely at trends such as the size and growth of industries as measured by the number of firms, number of locations, workforce size, turnover and profitability.

Think about how social and cultural factors influence the behaviour of your target markets, and the implications for your marketing plan. In the UK, for example, spending on preparations for school proms is estimated at £80 million per year. Students splash out on fancy outfits and hairstyles, and hire limousines or even helicopters to arrive in style. Clothing manufacturers such as Terani Couture®, local beauty salons and car-hire services are all profiting from this social trend.[14]

Social and cultural factors are important influences on *ethics,* the values applied to determine whether actions or behaviours are acceptable or unacceptable, beyond whether they are legal or illegal. Consider the movement towards **ethical sourcing**, obtaining services or materials (such as eggs or coffee beans) from suppliers that meet ethical standards for acting responsibly towards people and the planet. Consumers are becoming more aware of these issues and many prefer to buy brands that commit to ethical sourcing by insisting their suppliers pay workers a living wage, for instance, or use ecologically safe processes. As a result, sales of ethically sourced Fairtrade® goods such as coffee, wine and flowers are on an upward trend within the United Kingdom and other nations. As Mars®, Cadbury® and other top brands increase their use of Fairtrade® cocoa and other ingredients, ethical sourcing has emerged as an important point of differentiation.[15]

Technological factors

Fast-changing technology has an effect on customers, suppliers, competitors, channel members, marketing techniques and organisational processes. Today, technology touches virtually every element of marketing, from digitally enhanced advertisements to pricing, packaging, research, distribution and beyond. Although the Internet has opened opportunities for consumer and business marketing worldwide, it has also led to serious questions about privacy and security. This is why marketers in many nations must now comply with legal and regulatory guidelines aimed at protecting customer data and informing website visitors about tracking methods in use.

When examining technological factors to understand potential threats and opportunities, look at how rapidly innovations are spreading or evolving, how technology is affecting customers and rivals, how technology is affected by or is affecting standards and regulations, how and when technology is leading to substitute or improved products, how much the industry and key competitors are investing in technological development, and how technology is affecting costs and pricing.

Also look at combinations of environmental factors that may suggest future demand for technology driven products. As an example, different companies are using advanced technologies to create vehicles that need little or no guidance from human drivers. Eyeing population trends in its home country of Japan and other developed nations, Toyota® believes that self-driving cars will be especially important for older drivers. BMW® is developing cars that drive themselves on motorways but can be steered by drivers in slower-speed situations. Google has been testing driverless cars that it expects will be safer than human-driven vehicles. Will consumers actually welcome driverless vehicles? Will hacking be a problem for technologically advanced vehicles? These questions are being asked as the technologies improve and approach mainstream adoption.[16]

Legal factors

Legal factors such as legislation, regulation and governmental actions can affect product purity and labelling, communications, data collection and customer privacy, pricing, distribution, competitive behaviour and consumer choices. Walmart®, for example, wants to open small convenience stores and large general merchandise superstores in India, but laws limiting foreign direct investment have slowed the retail giant's progress. After ending a joint-venture relationship with a local partner, Walmart® has continued to open cash-and-carry wholesale stores and complies with other legal guidelines, such as sourcing and producing multi-brand food products entirely in India.

Another legal requirement in India is that no products can be sold for more than the maximum retail price set by the seller. Even if a retailer faces higher transportation costs to get goods to remote stores, its prices cannot exceed the maximum level. Local Indian supermarket chains know how to market effectively under these legal conditions. D-Mart, for instance, carries a limited assortment of popular products priced *below* the maximum retail price, and profits from selling a high volume of merchandise.[17]

Ecological factors

Ecological factors can influence marketing in numerous ways. Manufacturers will be unable to achieve their objectives if vital raw materials such as water or minerals are unavailable for production. A steady source of non-polluting energy is problematic for businesses and non-governmental organisations in certain regions; in other areas, high energy costs pose a challenge. Further, government regulations and community attitudes are shaping how companies interact with the natural environment.

Consumers are increasingly interested in choosing brands and products that are ecologically friendly. Unfortunately, goods or services are sometimes marketed as safe for the planet even when they have little or no actual ecological impact. Customers who want to steer clear of such **greenwashing** often look for certification by groups such as Green Globe®, which set specific standards for sustainability. Be sure your marketing plan covers the key ecological factors that affect your industry, your customers and your marketing efforts.

Competitive factors

All organisations, not just businesses, face competition. Charities compete with other charities for a share of donors' contributions; governments compete with each other when trying to attract businesses to create jobs, for example. In today's 24/7 global economy, competitive advantage is so important that car manufacturers such as Toyota® and Nissan® have appointed chief competition officers to help craft strategies for global marketing and brand differentiation.[18] Competition can emerge from outside the industry or from innovations introduced by current competitors, so scan the environment constantly for changes.

Because stakeholders, by definition, have an interest in and can potentially influence (directly or indirectly) your organisation's performance, you should consider competitors to be stakeholders as you develop your marketing plan. As an example, if one company goes out of business, competitors will have the opportunity to attract its customers and gain market share. Also, when one marketer starts a price war, competitors often feel compelled to respond, and the results affect the performance of all involved. When one marketer takes very public actions to support sustainability, or otherwise be a good corporate citizen, its competitors will feel pressure to follow. However, viewing competitors as stakeholders does *not* mean taking illegal and unethical steps, such as colluding to set prices. Be sure your decisions and actions are both legal and ethical, no matter who you compete against or where you are competing.

Natalie Massenet, founder of the luxury e-commerce firm Net-a-Porter®, sees some cooperation among consumers and businesses, even rivals but also firms in different sectors, as an important avenue to strong performance. In her words: 'Competition creates win-lose scenarios, but collaboration benefits us all'.[19] Collaboration is increasingly vital for companies that need to supplement their strengths with the strengths of outside firms in order to address promising opportunities or avoid potential threats.

As a marketer, you should examine your organisation's strengths in three factors that influence competitive position: (1) differentiation advantage; (2) cost advantage; and (3) marketing advantage (see Figure 2.4). Companies like Aldi® (retailing) strive for cost

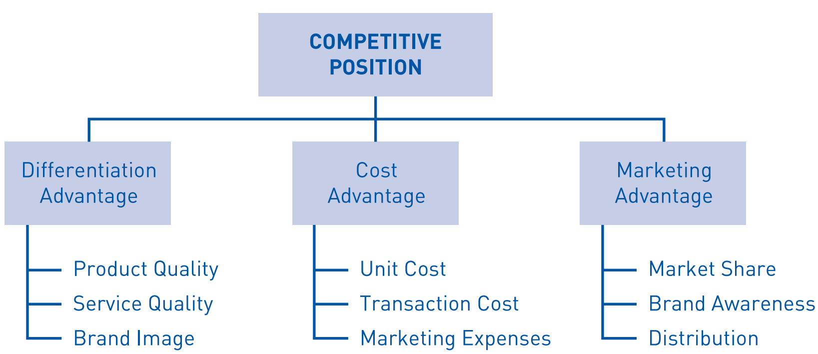


Figure 2.4 Factors that influence competitive position

Source: Adapted from *Market-based Management,* 6th Edn., Pearson (Roger J. Best 2012) 388, Prentice Hall, Best, Roger, *Market-based Management,* 6th Edn., p. 388, (c) 2012. Reprinted and Electronically reproduced by permission of Pearson Education. Inc, Upper Saddle River. New Jersey.

advantage, minimising costs to keep their prices low. Companies like Starbucks® (coffee) get a competitive edge from high brand awareness, extensive distribution and other marketing activities that can be managed efficiently. Companies like Michelin® (tyres) derive competitive advantage from quality, style or another point of differentiation by positioning their offerings as superior in delivering features and benefits valued by customers. Consider how Michelin® (www.michelin.co.uk) uses situational analysis to plan for innovation as a point of competitive differentiation.

MARKETING IN PRACTICE
MICHELIN®

France's Michelin has increased worldwide turnover beyond €21 billion through skilful marketing of tyres (plus maps and travel guides) to both businesses and consumers. With a marketing presence in 170 countries, Michelin emphasises product innovation and quality to build its brand reputation and boost tyre sales. Its marketers have studied the different characteristics and needs of individuals and organisations that buy tyres for cars, racing cars, SUVs, trucks, motorcycles, aircraft, agricultural vehicles and earth-moving equipment. Its environmental scanning process helps Michelin understand how to compete with Goodyear, Continental®, Pirelli® and other international rivals.

The company recognised years ago that fuel efficiency is an important concern for many tyre buyers, both commercial customers and individuals. Its research also confirms the importance of tyre safety, performance and reliability. Michelin has therefore focused its innovation on those areas, developing tyres with features that improve fuel efficiency, increase reliability and provide better traction for safe driving over different terrains and in different weather. Internal sales records show that commercial customers generally buy in higher volume during periods of economic expansion and buy less during economic downturns. On the consumer side, economic factors show that as households have the income (and access to credit) to buy vehicles, demand for tyres increases. Although Michelin is more than a century old, it uses today's communication tools, including Facebook®, Instagram, Pinterest® and YouTube®, to convey messages about safety and to promote its product innovation.[20]

Marketing plan analysis:

What factors in Michelin's external environment are likely to significantly influence competition among tyre marketers?

Another way to understand the competitive situation is to look at how easily competitors can enter or leave the market; how much power buyers and suppliers have; and whether substitutes are available for your products.[21] Easy market entry or exit increases competitive pressure, as does the availability of substitutes. Powerful buyers and suppliers can put pressure on pricing and profit margins when firms compete for orders. Study what competitors do to be successful (to see how you can build on these practices or ideas). Also analyse why some competitors aren't successful, so you can avoid pitfalls. Benchmark against successful organisations in other industries to obtain new ideas and gain a competitive edge. Scan the environment for trends that might change the future competitive situation and for companies that might soon be able to satisfy your customers' needs in a new or different way. Finally, focus on what your customers value, as well as what your organisation needs to achieve its objectives and goals.

ESSENTIAL CHECKLIST NO. 4
THE EXTERNAL ENVIRONMENT

As you prepare your marketing plan, you need to analyse how external factors affect your current marketing situation and how they might influence future marketing activities. These questions will help you conduct an external analysis.

- ☐ What developments and changes in the political and legal environment can or will affect the organisation and, specifically, its marketing decisions and actions?
- ☐ How can local, regional, national and international economic conditions affect demand and customer buying power now and in the future?
- ☐ In what ways are trends in demographics, social values, popular culture, customer attitudes and customer perceptions influencing demand, markets and segments?
- ☐ What changes in social and cultural values are influencing attitudes towards ethics in marketing?
- ☐ How are technological innovations affecting customers, competitors, suppliers, channel partners, marketing and internal processes such as research and development?
- ☐ What ecological concerns may affect the organisation's materials, suppliers, energy access, processes, marketing programmes and public reputation?
- ☐ What is the current competitive situation and how is it changing (or likely to change)?
- ☐ What benchmarks can be used for competitive performance and on what basis can the organisation achieve competitive advantage?
- ☐ What makes successful competitors successful? What prevents unsuccessful competitors from achieving their objectives?
- ☐ What lessons learned through the external audit can be applied to marketing planning?

CHAPTER SUMMARY

Marketers use an internal audit to examine resources and capabilities, current offerings, past results, business relationships and key issues that affect marketing and performance. They use an external audit to understand how PESTLE (political; economic; social, cultural and ethical; technological; legal; and ecological) factors as well as competitive factors might affect marketing. Three factors affecting competition are differentiation advantage, cost advantage and marketing advantage. To gauge whether a market is competitively attractive, look at ease of market entry and exit, buyer and supplier power and availability of substitutes for your product.

After completing the internal and external audits, analyse and distil the relevant data into a critique summarising the organisation's primary strengths, weaknesses, opportunities and threats, examined in the context of the mission and goals. Some marketers also prepare a SWOT analysis of key competitors. A SWOT analysis helps marketers to plan to match strengths with opportunities and use strengths to address weaknesses and threats.

A CLOSER LOOK

MARKETING AT L'ORÉAL

The French company L'Oréal's marketing plan for global growth relies on strengths such as the reputations of long-established brands (including Lancôme and Maybelline) and highly popular newer brands it has acquired (Urban Decay®). In China, where L'Oréal has significant market share, it sees profit potential in targeting younger women who are enthusiastic about trying new beauty looks. Five million Chinese consumers have already downloaded the Makeup Genius smartphone app, so they can experiment with virtual makeovers in private. Just as important, the mobile app addresses an external threat by facilitating product 'trial' and convenient purchasing in remote areas of the country where L'Oréal's brands have minimal retail distribution.

In China, as in the rest of the world, consumers frequently post selfies on social media – a trend that presents an opportunity for beauty brands that help people to express their individuality and personality in shared images. L'Oréal's marketing engages digitally savvy target audiences through online videos that teach general make-up techniques and demonstrate, step by step, how to apply cosmetics for special occasions and special style statements.

The company's mainstream Maybelline brand sponsors a makeover programme on Chinese TV, supplementing this sponsorship with mobile and digital marketing to connect with consumers on a more personal level. For instance, viewers can request a smartphone link to a tutorial video explaining the makeover techniques from each day's programmes. Lancôme, a higher-priced L'Oréal brand, sponsors a branded website in China where consumers can apply for product samples and post beauty product reviews, including photographs or videos of products in use. This creates a strong sense of brand community among the site's users.

L'Oréal's marketing messages in traditional and digital media often feature brand endorsers who appeal to the target audience, such as Chinese movie star Fan Bing Bing. Having this glamorous actress as the face of the L'Oréal brand sets the company apart from competitors, adds brand lustre and encourages consumers to buy the beauty products she favours. Even the corporate name is a strength in China and other developing nations, because it suggests the high-fashion heritage for which France is renowned.

Questions

1. What key issues might L'Oréal's marketers have to consider as they plan for continued growth in China?
2. Based on the factors in Figure 2.4, how would you assess L'Oréal's competitive advantages?

APPLY YOUR KNOWLEDGE

Research and analyse the forces shaping the industry of a company that is facing intense competitive pressure, such as a particular airline, food manufacturer or consumer electronics firm. Then prepare a brief oral or written report summarising your results.

- How powerful are suppliers to this industry? What are the implications for the company's business relationships?
- How powerful are buyers in this industry? What are the implications for the company's pricing decisions?
- Can customers substitute other goods or services for the company's offerings? What are the implications for customer loyalty to this company – and how can this be addressed through marketing?
- Can the company or competitors easily exit the industry? Can new rivals easily enter the industry? What are the implications for the company's marketing if environmental conditions threaten profitability?
- What differentiation, cost or marketing advantage do you see individual competitors having in this industry?
- How do you think the competitive environment is likely to affect the chosen company's marketing plan for the coming year?
- What opportunities exist for using collaboration to better serve customers?

BUILD YOUR OWN MARKETING PLAN

Continue the marketing planning process using the concepts and tools from this chapter, including the two checklists. Conduct an internal audit of resources, offerings, previous performance, business relationships and key issues. If the organisation is a start-up, examine the recent performance of direct competitors and discuss what the trends might mean for your organisation. Next, look at relevant PESTLE and competitive factors in the external environment and analyse how these factors might affect your marketing decisions (and your competitors' marketing activities). Identify current competitors and potentially strong future competitors that you should watch as you create and implement your plan. Also look at relevant ethical issues that could potentially affect the performance of your organisation and that of your competitors.

On the basis of your internal and external audits, prepare a SWOT analysis explaining how the main strengths and weaknesses relate to specific opportunities or threats and their implications for marketing strategy. Also consider how quickly you expect the marketing environment to evolve and how you plan to stay in touch with developments. Think about how these latest ideas will help you to develop a practical, successful marketing plan. Then enter this data in your marketing plan, with as much detail as needed to support your conclusions.

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3

Analysing customers and markets

Learning outcomes

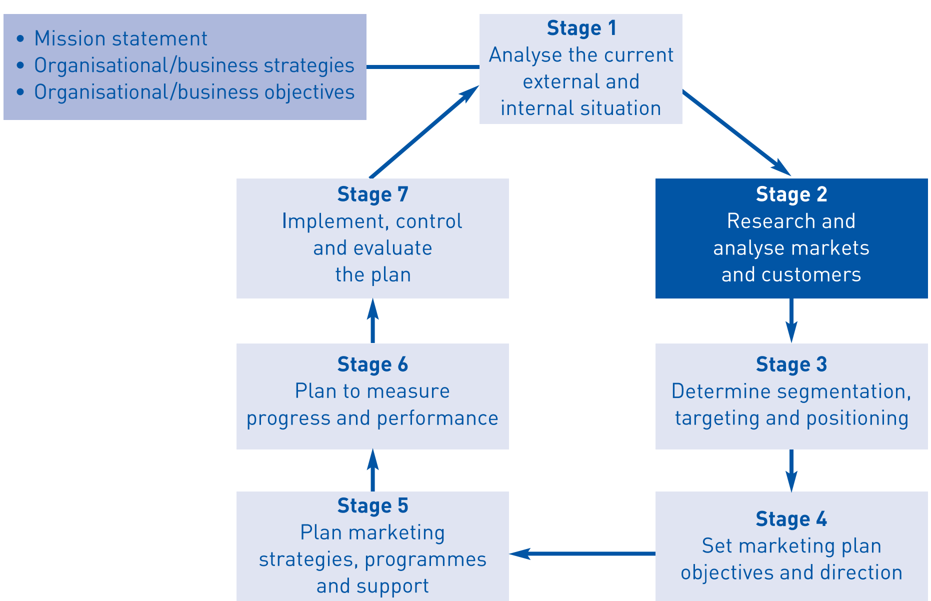
After studying this chapter, you will be able to:

- Understand why marketers examine markets according to definition, changes and share.
- Explain the main influences on customer behaviour in consumer and business markets.
- Describe how secondary and primary data are used in marketing planning.

Application outcomes

After studying this chapter, you will be able to:

- Define and describe the market for a product.
- Identify sources of information about consumer and business markets.
- Calculate market share.
- Analyse customer behaviour for marketing planning purposes.



CHAPTER PREVIEW

MARKETING AT RYANAIR®

Based in Dublin, Ryanair® (www.ryanair.com) is Europe's largest discount airline, flying more than 100 million passengers every year. The airline is best known for low fares and no frills, and it targets both consumer and business travellers, seeing profit potential in flying price-conscious holidaymakers as well as executives across the Channel and across the continent. To keep fares low, Ryanair® keeps costs low but charges fees for extras such as checked baggage. Over time, however, customers' complaints about the airline's brashness and high fees were starting to overshadow the benefits of low prices and on-time performance.

Meanwhile, competitors such as easyJet® have been targeting many of the same markets as Ryanair®, adding to the pressure to attract and retain passengers. To address customer complaints and achieve ambitious growth objectives, Ryanair® instituted a multi-year strategy called 'Always Getting Better'. The airline reduced its fees, changed the rules to add convenience for passengers and encouraged employees to pay closer attention to customer satisfaction. Travellers noticed and liked the changes, along with the price promotions Ryanair® used when demand was lower than expected. Two years after implementing 'Always Getting Better', Ryanair® was selling 20 more seats per flight. Now the airline has set the goal of increasing its market share of passengers flying to or from Germany, Europe's largest market, from today's 5 per cent to 20 per cent in just a few years, as it prepares for expansion following the UK vote to exit the European Union.[1]

This chapter takes you into Stage 2 of the marketing planning process, starting with a look at how and why markets are defined. Next you'll see how companies like Ryanair® calculate market share and how to analyse customer behaviour in consumer and business markets. The final section explores the use of secondary and primary data for marketing decisions. As you prepare your own marketing plan, use this chapter's checklists and the sample marketing plan in the Appendix for ideas about how to document your decisions.

Analysing consumer and business markets

People make a **market**, the group of potential customers for a good, service or other offering. The **consumer market** consists of individuals and families who buy goods and services for their own use. The **business (organisational) market** consists of companies, institutions, non-governmental organisations (NGOs) and government agencies whose managers or employees buy goods and services for organisational use.

When you're marketing to business customers, remember that their buying decisions are actually made by people. Even when a company or institution develops an automatic system for reordering without human intervention, it still relies on a manager, employee or team to establish decision rules for when to buy, what to buy and which suppliers to consider. As Figure 3.1 indicates, market analysis provides a valuable background for understanding who

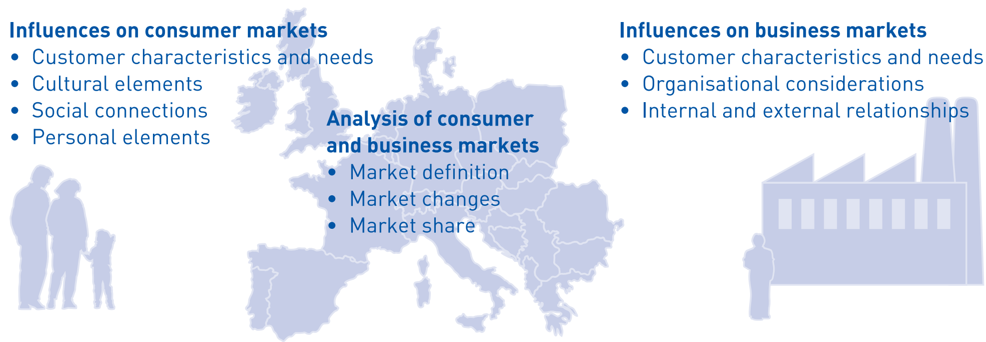


Figure 3.1 Consumer and business market analysis

might buy the product, what their needs are and what influences their buying behaviour – information you need to prepare an effective marketing plan.

During your preliminary analysis of consumer or business markets, plan to examine (1) market definition, (2) market changes and (3) market share.

Market definition

Defining the market helps you narrow the marketing focus to consumers or businesses that are qualified to be, or already are, buyers of a particular type of product. Within a given market, the broadest level of definition is the potential market, which has four subsets: the available, qualified available, target and penetrated markets.

The **potential market** is all the customers who may need, want or be interested in that good or service. For the highly successful UK-based firm Specsavers®, which markets prescription spectacles and contact lenses, the available market is all customers who need optical products to improve their vision. However, some customers in this market may be unaware of the product, some may have no access to it, some may not require its benefits, some may not be able to use it and some may not be able to afford it. Thus, the potential market represents the *maximum* number of customers who might be interested in the product – but not necessarily the number who will *realistically* buy.

Part of the potential market is the **available market**, all the customers who are interested and have both adequate income and adequate access to the product. For Specsavers®, the available market is all customers who need optical products and can visit a Specsavers® location or its website. A subset of that is the **qualified available market**, all the customers who are qualified to buy based on product-specific criteria such as age (for alcohol and other products that may not legally be sold to under-age consumers). Car buyers need not have a driving licence, for instance, but they must be of age to sign legal contracts and, if borrowing, meet credit standards to obtain a loan. For Specsavers®, the qualified available market is all consumers who have a vision-correction prescription or want one of the chain's opticians to examine their eyes and provide a prescription if necessary.

The **target market** is the segment of customers within the qualified available market that an organisation decides to serve. Specsavers®' target market is customers with vision-correction needs, who want to save money on spectacles or lenses, prefer many style choices and appreciate the convenience of an in-store optician. The smallest market of all is the **penetrated market**, all the customers in the target market who currently buy or have bought a specific type of product. The penetrated market for Specsavers® consists of all customers in the target market who have previously purchased vision-correction products. Figure 3.2 shows how the five levels of market definition form a funnel to focus marketing activity on specific customer groups.

For planning purposes, define your potential market by more than the product. Many organisations use geography and customer description in their market definitions. 'The UK consumer market for vision-correction products' is a general description of one potential market for Specsavers®. In plans to expand beyond UK borders, each new market would be defined geographically, such as 'the Australian consumer market for vision-correction products'. If it wanted to focus marketing attention on certain areas, Specsavers® would describe each market more precisely, for example: 'the New South Wales consumer market for vision-correction'.

Now narrow your focus by researching customer needs and buying behaviour within the potential market, yielding a more specific definition of the available and the qualified available markets. Research will help you understand what your customers value and what marketing decisions will best support competitive differentiation in a given market.

Market changes

No market remains static for very long. Every day, consumers and business customers leave or enter an area; every day, consumers begin or stop buying a product. All the external

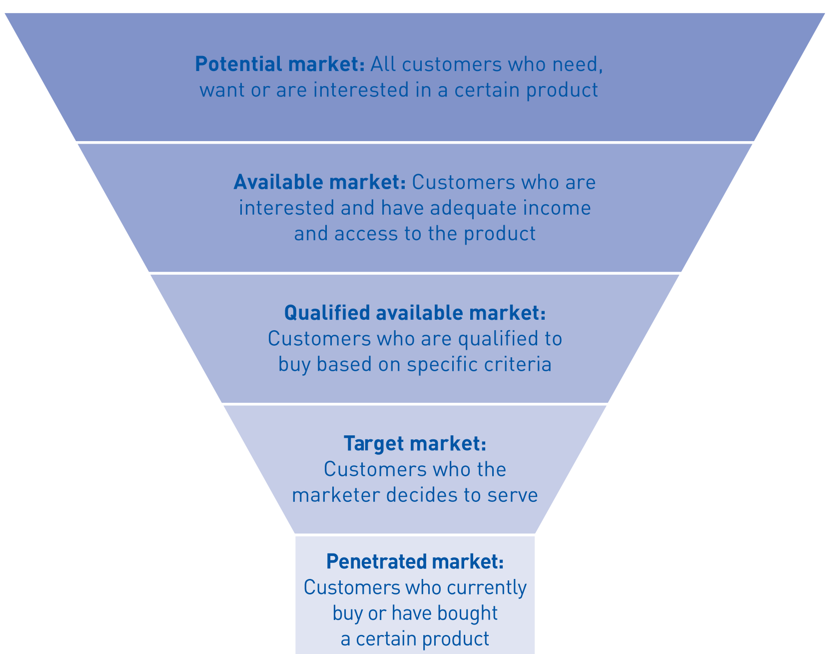


Figure 3.2 Five levels of market definition

factors in the marketing environment can influence market changes as well. For this reason, you will need to research expert projections and track overall market trends.

Two key changes that affect the size and nature of a market are:

- *Number of customers*. Is the consumer population (or number of businesses) increasing or decreasing, and by how much?
- *Purchase and usage*. How many products are all customers in the industry estimated to buy and use in the next year and later years? How and why have trends in purchasing and usage changed?

The purpose is to determine how changes, trends and projections are likely to affect customers in the market and the implications for your marketing decisions. For example, marketers for Philips® India, a division of the Dutch corporation Philips®, are projecting population growth and economic changes that will increase the size of the Indian middle class. As a result, Philips® India projects that hospitals, clinics and individuals will boost purchases of healthcare equipment and systems. The company has therefore acquired specialised healthcare firms and invested in order to market products for managing heart ailments and other conditions, earning high market share and increasing revenues from equipment sales. It is also marketing mobile surgical equipment within India – and, seeing high demand for such products elsewhere, now exports those products to Europe.[2]

Market share

Going beyond current and projected market size and trends, you will want to estimate your product's or brand's market share and the share held by competitors. Remember that your share will change as the market grows or shrinks and rivals enter or leave, expand or reduce their presence. Still, market share serves as a baseline against which you can track market dynamics and measure the progress of your marketing results.

Market share is the percentage of sales within a market accounted for by one company, brand or product, as calculated in terms of units or money (or both, if the data can be obtained). The basic formula is to divide the company's or brand's unit or monetary sales by the entire market's unit or monetary sales of that type of product. Thus, if you sell 3 million units and overall sales by all competitors selling that type of product are 12 million units, you hold a 25 per cent share of that market. Your share would be 15 per cent if your product sales totalled £15 million or €15 million and overall sales of that type of product in that market totalled £100 million or €100 million.

Market share is one of the vital signs to track over time so that you can spot potential problems and opportunities. You'll want to calculate or at least estimate the share for each product in each market on a regular basis to detect significant shifts. In some industries, such as cars and mobiles, outside analysts regularly publish reports estimating the market share of top companies. Examining both market changes and market share changes can give you a better picture of what customers are doing, what rivals are doing and where the market is going, so that your marketing plan does not involve attracting an increasingly large share of an ever-shrinking, less profitable market. Consider how Specsavers® (www.specsavers.co.uk) has increased its market share during more than 30 years in the spectacle business.

MARKETING IN PRACTICE
SPECSAVERS®

Headquartered in Guernsey, Specsavers and its local optician partners operate 1,600 shops in the United Kingdom, Australia, New Zealand, Scandinavia and continental Europe, with total turnover exceeding £2 billion. Mary and Doug Perkins founded the company in 1984 after UK laws were changed to deregulate optometry and allow optometrists to advertise. They knew that consumers shopping for spectacles and contact lenses care about value and quality. Specsavers meets this need by focusing on price, professionalism and an extensive inventory of fashion frames as competitive advantages.

When Specsavers plans to enter new markets, it looks closely at demographics, consumer behaviour and attitudes towards competitors. Before opening in Australia, for example, Specsavers hired researchers to learn where consumers were currently buying eyewear, why they chose certain companies, how much they were paying, how they felt about wearing spectacles and what they thought about competitive marketing messages. The results helped Specsavers to communicate its competitive advantages.

Today, the firm uses a combination of traditional adverts and social media marketing to connect with customers. It also offers a virtual 'try on' smartphone app that allows consumers to see how fashion frames will look before they even arrive at the local shop. By understanding its markets and customers, Specsavers has grown market share to more than 35 per cent in the UK and the Australian markets.[3]

Marketing plan analysis:

If you were writing the Specsavers marketing plan, would you define market share by number of units or monetary value? Why?

Bear in mind that changes in share are not the only indicators of competitive standing, nor do they necessarily warrant immediate attention. Companies usually include share among the metrics for evaluating the success of marketing programme implementation. Implementation and metrics are discussed in **Chapter 12.**

Analysing customers in consumer markets

Once you have a preliminary definition of the market, understand market changes and know your market share, you're ready to look more closely at customer demographics, needs, buying behaviour and attitudes. What customers buy, as well as how and when they buy, can be influenced by different factors and experiences. Figure 3.3 shows the consumer decision-making process in simplified form, beginning when someone recognises a need and continuing through the post-purchase evaluation, which may lead to recognising a new need. Marketing can influence consumer behaviour in each stage of this process. For example, your marketing might aim to stimulate need recognition, offer information about products and benefits related to the consumer's need, suggest criteria

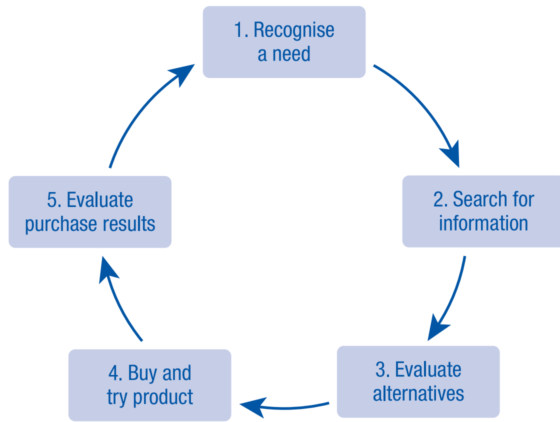


Figure 3.3 Consumer decision-making process

for evaluating competing offers, influence the timing of the purchase or reinforce the purchase as a good decision.

Although you may use aggregated data to form a picture of the average customer during your planning, technology can help you identify and understand individual customer behaviour. Plan to analyse consumer characteristics and needs as well as cultural elements, social connections, and personal and psychological elements (see Table 3.1).

Characteristics and needs

Often some characteristic, such as gender, family status, age, education or ethnic background, affects what consumers need and buy. For example, Huggies®, Pampers® and other disposable nappies are marketed to families (parents and sometimes grandparents) caring for babies. Before conducting extensive marketing research, try to learn more about the characteristics of the consumer market from secondary sources.

Table 3.1 Understanding behaviour in consumer markets

Customer characteristics and needs • Demographics such as age, occupation, family status • Problem that product will solve • Changes in stated/unstated needs • Customer-perceived value • Media-usage patterns	**Social connections** • Family and friends • Work associates • Organisations • Opinion leaders and influence network • Reference groups
Cultural elements • Culture • Subculture • Class • Ethical considerations	**Personal and psychological elements** • Life cycle • Lifestyle, psychographics • Motivation and attitudes

As you assess consumers' needs, ask yourself the following questions:

- What problem do customers want to solve by buying a particular product?
- What are customers requesting now that they haven't requested in the past?
- What changes in needs are suggested by developments revealed through internal and external audits of the business environment?
- Do customers have unstated needs and wants (such as boosting status or looking stylish) that can be uncovered through marketing research and satisfied through marketing?

Closely related is the value that consumers receive when they buy products to satisfy their needs. **Value** is defined as the difference customers perceive between the benefits they derive from a product and the total price they pay. Customers perceive more value from a good or service that seems to deliver more or unique benefits for the money. When customers buy, these products bring monetary value to their marketers and increase market share.

Cultural elements

The beliefs, customs, preferences and values of the culture in which consumers were raised – and where they currently live – can influence consumer buying behaviour and attitudes towards ethics. You can't assume that customers everywhere have the same wants, needs and buying patterns as you do. Marketing research is a crucial way to avoid this misconception.

Within a larger culture are individual **subcultures**, each a discrete group that shares a particular ethnicity, religion or lifestyle. Subcultures can affect buying behaviour. As an example, many marketers view teens as a distinct global subculture. Consumers in this age group have much in common regardless of geography, including a shared interest in pop music and fashion. Television, social media and mobile electronic devices have only intensified the commonalities of this subculture, which has an immense collective spending power.

College-age consumers are a specific subculture targeted by UK-based Jack Wills®, the upmarket 'university outfitter' with £132 million in turnover and 79 stores worldwide. Co-founder Peter Williams wanted to create a quality fashion retail brand featuring British university styles. Jack Wills® has also opened stores in the US and Asia, and the firm maintains a series of websites, all targeting the same subculture and supported by social media marketing on blogs, Snapchat®, Facebook®, Twitter®, Pinterest® and Instagram®.[4]

Class distinctions, more subtle in some cultures than in others, also influence consumer behaviour. Consumers in a certain class tend to buy and use products in similar ways. At the same time, consumers who want to emulate a different class – such as those who aspire to a higher class – may adopt that class's buying or consumption behaviours. Finally, understand each culture's values and how these affect attitudes towards social responsibility and ethics in marketing.

Social connections and opinion leaders

Social connections such as family members, friends, work associates and non-work groups can serve as **reference groups**, to which consumers compare themselves and which therefore can influence an individual's attitudes and behaviour. Some reference groups are *aspirational*: consumers may follow the buying behaviour of another class to which they aspire, while others may follow the buying behaviour of the social groups to which they aspire. Youngsters often imitate the clothing and accessory choices of their older siblings, for example.

Some reference groups are *associative*: consumers are already members, associated by connections such as family relationships, work teams or enthusiasm for a certain sports team. Other reference groups are *dissociative*: consumers do *not* want to belong to these groups, and they act accordingly. If you market a sports-related product, and many consumers in your target market are highly loyal fans of Madrid Real, for example, your marketing approach for them might be very different than for consumers who are loyal fans of an arch-rival. You will want to determine whether any of these connections are relevant to a particular brand or product's purchase or usage and how these groups may affect the buying behaviour of consumers in your target market.

People who are especially admired or possess special skills may be seen as **opinion leaders** in a social group and therefore exert more influence over the purchasing decisions of others. Not surprisingly, marketers often lavish special marketing attention on opinion leaders who are able to promote brands through key social connections. Athletes, musicians and actors are considered opinion leaders for fashion products and beverages, among other product categories. Thanks to social media, opinion leaders can have two-way conversations with hundreds or thousands of consumers within an **influence network** that can affect both attitudes and behaviour.[5]

Adidas®, for instance, sponsors athletes and outfits sports teams as a way of associating its products with opinion leaders. Its social media marketing activities during sporting events attract followers, who by clicking 'follow' or 'like' put themselves into the target audience for brand-related messages linked to the sports and the athletes. The company also uses marketing to celebrate the achievements of top athletes who endorse its products. When football superstar Lionel Messi won his fifth Ballon d'Or, Adidas® presented him with boots featuring precious metal accents and Argentine leather (honouring the athlete's home country). This attracted media attention, reinforced Messi's association with the brand and showcased Adidas® products that carry the athlete's name. In addition, Adidas® is experimenting with Snapchat® to see how sports-related images, videos and emojis affect customer engagement and brand attitudes. See Table 3.2 for examples of some of the ways Adidas® uses websites and social media marketing.[6]

Personal elements

The fourth category of influences in consumer markets relates to personal elements such as life cycle, lifestyle, motivation and attitudes. An adult's *life cycle* is his or her changing family status over time. People may be single, single parents, single but cohabiting (with or without children), engaged, married (with or without children), divorced (with or without children) and so on. Consumers have different needs, behaviour patterns and buying priorities in each of these life-cycle phases – which, in turn, translate into marketing opportunities.

Lifestyle is the pattern of living reflecting how consumers spend their time or want to spend their time. Through research, you can learn more about how lifestyle influences what

Table 3.2 Selected Adidas® website and social media marketing activities

Examples of marketing element	Marketing purpose
Adidas® UK home page (**www.adidas.co.uk**)	To demonstrate what the brand stands for; to inspire brand loyalty; to communicate product features and benefits; to facilitate purchases; and to showcase the company's sponsorships
Adidas® Twitter accounts (**@adidas,** sports-specific accounts such as **@adidasrunning,** and country-specific accounts such as **@adidasAU**)	To build a sense of community through online conversations; to show support for the sports that customers follow; and to quickly respond to customer comments and important events or issues
Adidas® YouTube channel (**www.youtube.com/user/adidas**)	To promote the brands and athletic performance, to link athletes and other endorsers to the brand via adverts and videos; to encourage positive brand attitudes and emotions; to feature special shoe and apparel styles; and to inspire consumers to participate in athletic activities
Adidas® Facebook® page (**www.facebook.com/adidas**)	To engage brand fans in social conversations; to promote sports sponsorships; to generate brand buzz; and to multiply the impact of other marketing activities
Adidas® Instagram® account (**www.instagram.com/adidas**)	To showcase photos of products as used in various sports situations; to introduce new products in a visually inspiring way; and to encourage brand involvement by inviting consumers to submit their own photos
Adidas® Snapchat channels (such as **adidasOriginals**)	To engage fashion-oriented and sports-oriented customers; and build buzz about branded product lines, including Adidas® Originals

and when purchases are made in your market, how purchase transactions are planned and completed, who is involved in the purchase and other aspects of consumer buying behaviour. By analysing consumer behaviour using lifestyle variables related to activities, interests and opinions – collectively known as **psychographic characteristics** – you can learn more about why consumers act as they do and buy as they do.

Psychological factors such as motivation and attitudes are also important influences on consumer buying. **Motivation** is the internal force that drives a consumer to act in a certain way and make certain purchases as a way of satisfying needs and wants. **Attitudes** are the consumer's assessment of and emotions about a product, brand or something else, which can affect actions. Understanding how such factors drive consumer behaviour gives you a solid foundation for making decisions about who to target, where a product should be distributed and so on. Use Checklist 5 to analyse customers in consumer markets.

Procter® & Gamble® (www.pg.com) is one of many global marketers that are interested in the lifestyles, behaviour and attitudes of parents in China who buy disposable nappies for babies.

MARKETING IN PRACTICE
NAPPIES IN CHINA

Chinese parents are buying more disposable nappies for their babies than ever before – and buying higher-priced nappies, as well. Usage for each baby has increased from 21 to 39 nappies per month in only five years. One reason for higher consumption is the higher income among middle-class families, who can now afford to buy a larger number of disposables rather than using cloth nappies. Also, until recently, China had a ‘one child’ policy. As a result, indulgent parents and grandparents have been generous towards babies, behaviour that is unlikely to change quickly as the birth rate increases under new policies.

Of the top ten disposable nappy brands in China, only one is local. The other leading brands are foreign, which are perceived to provide better features and higher quality – and which therefore command higher prices. Merrie nappies, manufactured in Japan by Tokyo-based Kao Group, are priced nearly ten times higher than nappies made in China. Many Chinese parents pay the premium because they perceive Merrie nappies to be extra soft and absorbent, benefits they value and will pay extra for.

Procter & Gamble’s Pampers has high brand recognition, but because its nappies were originally made in China to keep costs and prices down, it wasn’t perceived as a premium product. Then P&G designed a special nappy with baby lotion and a wetness indicator, and moved production to Japan. Now the new product has an upmarket image and a high price in China, challenging Merrie and other premium brands that market to Chinese parents.[7]

Marketing plan analysis:

What marketing actions could P&G take to improve perceptions of its made-in-China Pampers among Chinese consumers?

ESSENTIAL CHECKLIST NO. 5
ANALYSING CUSTOMERS IN CONSUMER MARKETS

This checklist is all about researching and analysing consumer markets. If your plan is for a start-up or a hypothetical company, use this checklist to consider where you might obtain information you need for planning purposes.

- ☐ What consumer needs must the product and product category address?
- ☐ How can customers in each consumer market be described (by demographics, geography, etc.)?
- ☐ How is customer behaviour affected by cultural elements such as subculture and class?
- ☐ How is customer behaviour affected by social connections such as family, friends and online communities?

- ☐ Which reference groups might have the strongest influence, positive and negative, on the attitudes and behaviour of your target market?
- ☐ How is customer behaviour affected by personal elements such as lifestyle, motivation and attitudes?
- ☐ What do these influences mean for segmentation, targeting and marketing decisions?

Analysing customers in business markets

Individuals or groups make buying decisions for businesses, government agencies and non-governmental organisations. Sometimes these decisions involve huge sums of money and months of internal review, spanning multiple management layers. Business buying behaviour is generally influenced by the organisation's characteristics and needs, relationships inside and outside the organisation, and considerations unique to each organisation and its external environment (see Table 3.3).

Characteristics and needs

For your marketing plan to be successful, you need to understand the unique characteristics, buying requirements and challenges of the organisations in the business markets you are considering. Try to determine the common needs and concerns of organisations you target and see which characteristics affect these needs (and how). One way to do this is by categorising organisations according to type of industry, annual turnover, number of employees, location of facilities and geographic focus. Small businesses frequently have different needs (and smaller budgets) than large businesses, for example; companies that serve localised markets have different needs than multinational corporations. Industries that are closely tied to economic conditions, such as car manufacturing and residential construction, often have different buying patterns depending on the strength of the economy.

The European Commission's Eurostat databases reflect standardised methods for researching, describing and categorising statistics by industry. Similarly, the North American Industry Classification System (NAICS) provides a method for researching the

Table 3.3 Understanding behaviour in business markets

Customer characteristics and needs	Internal and external relationships	Organisational and external considerations
• Industry classification • Turnover • Workforce size • Facilities location • Geographic focus • Customer-perceived value	• Buying centre participants • Decision process • Supplier relations • Customer relations	• Objectives • Budgets and buying cycle • Buying policies and procedures • Share and growth • Competitive situation • Other external factors

characteristics of companies in specific industries in the United States, Mexico and Canada. Data organised according to UN industry standard classifications and other international and national industry standards systems are available as well. To gather more data about industries, characteristics of businesses, non-profit organisations or government agencies and business products, consult sources such as national and international trade organisations, consulates, multinational banks, university studies, magazines, newspapers and other printed or digital sources that follow international business developments.

Organisational and environmental considerations

After gathering and analysing general data about a business market, your next step is to learn something about the size of each organisation's budget and the timing of its purchases, which can vary widely within an industry. New and fast-growing businesses are likely to make more frequent purchases than businesses fighting for survival, for instance. Budget and buying cycles are particularly important factors for business-to-business (B2B) marketers that sell to non-governmental organisations and government agencies. In particular, growing cities and countries tend to increase their annual budgets for infrastructure improvements, creating opportunities for construction companies, telecommunications firms and other suppliers. Many corporations and government agencies also rely on formal procurement processes, another factor that B2B marketers must understand when preparing a plan.

So marketers should research the buying policy and procedure, buying cycle and policies. If a multinational corporation's policy is to encourage decentralised or local buying, for example, plan for communicating with more buyers than if the policy is to centralise buying at headquarters. If a business insists on online buying, then that policy must be taken into account during the planning process. Suppliers can also demonstrate that they have the ability to streamline the purchasing process for customers, saving time and money. Barry Callebaut, the chocolate marketer, provides a convenient e-commerce portal for small- and medium-sized wholesale customers to place orders online and via mobile devices. This automated system cuts the time and effort needed to submit and fulfil orders.[8]

Think about the company's environmental influences, including its market share situation, objectives and competitive situation, all of which can influence what, when and how much the organisation buys. For large purchases, business customers tend to require considerable information before narrowing their alternatives and deciding what meets their specifications. Knowing this, General Electric® has been offering virtual reality apps to allow prospective customers to preview its capabilities. It also maintains multiple social media accounts, where it can post videos and papers about scientific advances and stimulate dialogue to better understand customers' needs and requirements. Its GE Energy unit asks customers in the food and beverage industry to submit their most challenging problems via social media. GE Energy's employees analyse the problems and post potential solutions, keeping the conversation going and providing additional information for decision-makers to consider.[9]

Internal and external relationships

Many internal and external relationships can affect an organisation's buying patterns. Particularly in large organisations, a group of managers or employees may be responsible for certain purchases. Different individuals within this **buying centre** play different roles in the buying process:

- *Product users* often identify a problem, starting the buying process. Because of their experience, they may be involved in defining specifications for purchases.
- *Influencers* get involved by providing information for specifications and/or evaluation of alternatives and suppliers.
- *Buyers* are officially authorised to select suppliers and negotiate terms of the purchase, including price and delivery.
- *Deciders* are empowered to select or approve suppliers or make other decisions that affect organisational purchases.
- *Gatekeepers* have the ability to facilitate or restrict information flow to buying-centre participants.

Now that buying-centre participants have access to the Internet and social media, the gatekeeper function is less of an obstacle than in the past. Whether posted on a website, on social media or in printed form, informative content (such as research studies, reports of new technology and case studies of products helping other customers) can be accessed directly by individual buying-centre participants. They gain knowledge and become more familiar with the marketer providing the content, which opens the door to possible sales conversations later in the buying process. As a result, content marketing is seen as a productive lead-generation technique in business markets.[10]

B2B marketers at Samsung® Electronics (www.samsung.com/us/aboutsamsung) carefully research what members of the buying centre need, so they can plan appropriate marketing activities.

MARKETING IN PRACTICE
SAMSUNG® ELECTRONICS

Samsung® Electronics is best known for televisions and mobile devices, but it also wants to be known for helping businesses serve consumers efficiently, effectively and securely. Many of the smartphones and tablet computers it markets to consumers can be configured and connected for business use, with special functionality and security features for organisational buyers. In this B2B market, Samsung competes with Apple® and other makers of mobile devices, as well as with firms that provide business-technology services. Although it currently derives less than 10 per cent of its revenues from businesses buying its mobile goods and services, Samsung aims to double or triple that amount within a few years.

Samsung's® vice president of B2B marketing explains that the only way to know what information businesses need for purchasing is 'by carefully understanding the journey the customer is taking and the various individuals involved in that decision'. The company uses print advertising and it also posts content online where members of the buying centre can search and find it, during any stage of the buying process. Some content is technical and some is problem/solution-oriented, communicating Samsung's expertise in helping organisations to improve employee productivity and customer service through mobile technology. How quickly will Samsung achieve its ambitious goal of growing B2B revenues?[11]

Marketing plan analysis:

Does Samsung's high brand awareness in consumer markets constitute a strength in business markets? Explain your answer.

Be aware that each participant's individual situation (age, education, job position, and so forth) can affect the buying decision. Thus, you should investigate relationships within the buying centre; understand the participants and the decision process so you can market to the right participants at the right time. This is especially vital when the purchase represents a major commitment of money, time and changeover for a business customer.

Check the organisation's relations with current suppliers to find out whether long-term contracts are the norm, whether certain future purchases are already committed to current suppliers, what standards suppliers are expected to meet and how suppliers are evaluated. In some cases, a company cannot become a supplier until it has met certain criteria and been approved. Even if prior approval is not needed, you should determine what criteria the business customer uses to select suppliers, so you can plan accordingly.

Clearly, cost is not the only criterion in a B2B buying decision. Staff expertise, quality, reliable delivery and other considerations can be important criteria by which buying-centre participants choose among competing suppliers. In addition, by looking at how an organisation deals with its customers, you can get a sense of the value you can add to help satisfy your customers' customers. The following checklist can help you through the analysis process.

ESSENTIAL CHECKLIST NO. 6
ANALYSING CUSTOMERS IN BUSINESS MARKETS

Use this checklist to prepare for researching and understanding business customers. If your marketing plan is for a start-up or a hypothetical company, use the checklist to generate ideas about possible data sources and approaches to research.

- ☐ What customer needs must the product and product category address?
- ☐ How can customers in each business market be described (by demographics, buying policies, etc.)?
- ☐ Who participates in the buying centre and what is each participant's role?
- ☐ How does each business customer solicit, qualify and assess suppliers?
- ☐ How do current supplier arrangements affect competition for orders?

- ☐ What other relationships and considerations affect buying behaviour in this business market?
- ☐ What do these influences mean for your segmentation, targeting and marketing activities aimed at the business market?

Researching markets and customers

Marketing research is the foundation for many decisions in marketing planning. As you plan, consider your needs for primary and secondary data. Also consider the methods you might use for research.

Primary and secondary research data

When researching markets and customers, you will usually start by consulting **secondary data**, information previously collected for another purpose. You can glean basic facts and figures from secondary research more quickly and cheaply than through **primary data**, that is, data from studies undertaken to address specific marketing questions or situations. When using secondary research, check that the information is current, comes from a legitimate and unbiased source, can be verified through another source and can be clarified (if necessary) through contact with sources.

Primary research is particularly useful for gaining detailed knowledge about issues of great concern to customers. UK retail giant Asda® conducts numerous studies to understand customers' behaviour and responses. For instance, its Mumdex survey of thousands of mothers revealed that these customers had made lifestyle changes to deal with economic conditions and placed a high value on controlling spending. The company has also tested the use of promotional messages sent to consumers' mobile devices. It found that consumers who viewed one ad on a mobile device were 248 per cent more likely to visit a local Asda® store than non-ad-viewers. When consumers viewed an ad on *three* devices, their likelihood of visiting a store was even higher. Such primary research helps Asda® to better plan its products, pricing and promotions.[12]

Conducting marketing research

Many marketers conduct research online because this approach is less expensive than traditional methods such as mail or phone surveys. Online research is also easily implemented and yields results quickly. For example, some sites use a pop-up screen or follow-up e-mail after a purchase to request that visitors complete a brief survey. However, the results will not be entirely representative of a product's market, because not all consumers and businesses use the Internet, and of those who do, some prefer to avoid online surveys. Still, online surveys, plus analyses of unsolicited consumer comments posted on social media, can provide clues to attitudes, brand reactions and product experiences.

Ethnographic research – observing customers' behaviour in real situations rather than in experimental surroundings – has become increasingly important for learning about needs and preferences that are not easily articulated. This also allows marketers to set aside any preconceived ideas and, instead, watch and listen to consumers as they actually use a product or try to solve a particular problem. Intel®, which makes computer chips and networking equipment, has dozens of researchers travelling the globe to observe how consumers use digital devices in their daily lives. By analysing the data that researchers collect about how customers actually behave at home, at work or on the high street, Intel® identifies everyday problems that its technology can solve and looks for clues to future products for different markets.[13]

The founders of Hidrate®, a US-based start-up, tested their idea for a 'smart' water bottle by conducting focus groups, surveys, ethnographic studies and Facebook® advertising. They wanted to learn which features (such as the bottle's ability to send 'drink water' reminders to smartphones and the ability to transmit data to fitness trackers) were most and least appealing to different customer segments. In addition to evaluating customer comments according to content and sentiment, Hidrate® was able to see which segments were most interested in the product, and why. The firm then targeted opinion leaders whose use of the product would get noticed on social media, leading to viral sharing that created buzz about the new water bottle.[14]

Behavioural tracking is a research technique of monitoring what consumers and businesspeople do online as they visit websites, click on ads and fill virtual shopping trolleys. The purpose is better targeting and more personalised communications and products. However, concern over privacy issues has led to legal and regulatory guidelines that limit how tracking is conducted and how information is shared. The EU Directive on Privacy and Electronic Communications, for example, requires websites to obtain visitors' permission to use cookies for tracking purposes.[15]

Marketers for major corporations are beginning to apply **neuromarketing**, analysing brain and body responses to investigate and understand consumer reactions to marketing activities. Unilever® used neuromarketing when redesigning the package and labelling for its Axe body wash. It asked consumers to wear special spectacles so that researchers could track their eye and body movements as they looked at body wash products on a virtual store shelf. Based on this study, Unilever® modified the Axe package to be straight instead of curvy, enlarged the words on the label and placed the brand's stylised X on a brighter background to attract attention. Researching consumer reaction in a virtual setting saved Unilever® time and money, speeding the redesigned product to market.[16]

CHAPTER SUMMARY

The overall market for a particular type of good or service consists of the potential market (all customers who may be interested in that product) and, inside that, the available market (those with income and access). A narrower definition is the qualified available market (those who meet product-related criteria for buying); narrower still is the target market (which the organisation wants to serve), and narrowest of all is the penetrated market (customers who buy or have bought that type of product). Then marketers dig deeper to research and analyse market changes and market share.

During planning for consumer markets, look at (1) needs stemming, in part, from characteristics such as age; (2) national or regional culture, subculture and class; (3) social connections, including reference groups and opinion leaders; and (4) personal and psychological elements. Three main influences on business markets are (1) organisational characteristics; (2) organisational and environmental considerations; and (3) internal and external relationships. Secondary data is information previously collected for a different purpose; primary data is collected to address specific questions or situations relevant to the marketing plan.

A CLOSER LOOK

MARKETING AT RYANAIR®

Traditionally, Ryanair's marketing has focused on value, specifically super-low fares on flights to Europe and beyond. The airline is alert to opportunities for expanding market share in areas where it sees increasing demand, suitable airports and relatively little competition, especially from other discount carriers. For example, Ryanair® is the major passenger airline flying out of Prestwick Airport in Scotland, where it has added flights for budget-minded holidaymakers jetting to sunny destinations. In the aftermath of the Brexit vote, the airline is planning to reduce the number of flights from London's Stansted airport and increase the number of flights between European cities.

Knowing that demand for air travel to and from Germany is strong, whether the European economy is up or down, Ryanair® is increasing the number of flights to Cologne and Berlin. These airports have reasonable fees and speedy turnaround times that allow Ryanair® to maintain its low-cost structure and on-time record. The airline is also considering flying to smaller airports in Germany, if it sees sufficient demand. In the near future, Ryanair aims for a 20 per cent share of air travel in the German market.

More than 25 per cent of the 1 million passengers who currently fly on Ryanair® are travelling for work-related reasons, yet the airline only recently started to target the business market. While implementing the Always Getting Better strategy for improving customer service and satisfaction, Ryanair® introduced its Business Plus programme. This includes a mobile app for managing ticket purchases and flight information, no-fee flight changes on the day of travel in case business appointments change, roomier seats and special arrangements for priority boarding.

Ryanair® is also offering a 60-seat corporate jet for hire by the hour. Research shows that business customers will pay a premium to charter a corporate jet when a group of managers or employees must travel together, and the company needs to schedule flights at precise times. Given the high price, these customers also expect a more luxurious flight experience than on a typical passenger flight – which Ryanair® plans to deliver as it demonstrates its commitment to customer satisfaction, as well as low air fares. Finally, the airline is using content marketing, including a digital in-flight magazine, to communicate with customers and demonstrate yet again how it is 'always getting better'.[17]

Questions

1. How would you define the qualified available market for Ryanair's flights from the European Union to outside destinations? What are the key qualifying criteria for this market definition?
2. Should Ryanair® use primary or secondary research to understand the travel needs of major businesses with headquarters or large facilities in Germany? Explain your answer.

APPLY YOUR KNOWLEDGE

To reinforce your knowledge of Stage 2 of the marketing planning process, research the general definition of a particular market. You might focus on the consumer market for spectacles or mobile phones, for instance, or the business market for office furniture or specialised software. Prepare a brief oral or written report summarising your thoughts.

- How can your chosen market be described broadly in terms of product, geography and demographics?
- What characteristics relevant to the product could influence the behaviour of consumers or organisations in this market?
- What, specifically, are the main influences on buying behaviour in this market? Refer to the checklists in this chapter as you answer this question.
- How much influence do opinion leaders have on buyers in this product category? Which media (traditional and social) are important for influencing buyers in this market?
- What have you learned that would affect your decisions if you were preparing a marketing plan for this market?

BUILD YOUR OWN MARKETING PLAN

Continue the marketing planning process for a hypothetical organisation, or an actual organisation you have chosen, by broadly describing the market and the influences on customer-buying behaviour. Use the two checklists in this chapter as you build your marketing plan. First, identify the five levels of market definition that apply, from the potential market to the penetrated market. Also determine the criteria by which you would consider customers to be in the available market and in the qualified available market.

Next, research the most important changes affecting this market. Also look at market share trends and the major influences on customer needs and behaviour in this consumer or business market. How do cultural elements, social connections, personal elements or psychological elements affect the consumer's buying behaviour? What social media do opinion leaders and customers in your product category typically use? If your plan is for a business market, what specific influences on buying behaviour can you identify? Finally, list any primary and secondary data you would like to have to better understand your markets, and look for recent, reliable online sources of information. Document what you have learned and explain the implications for your planning decisions.

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4

Segmenting, targeting and positioning

Learning outcomes

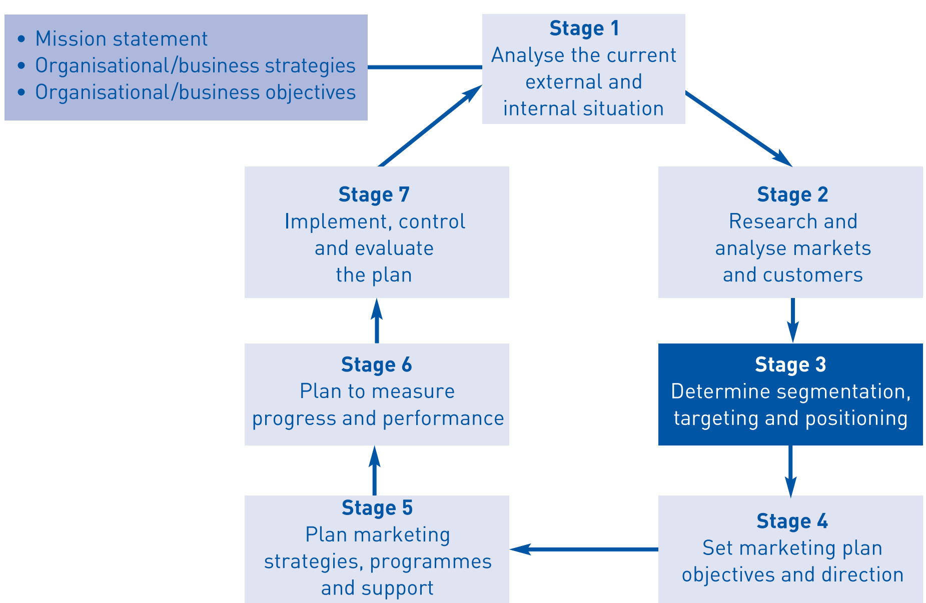
After studying this chapter, you will be able to:

- Explain the benefits of segmentation, targeting and positioning and understand segmentation variables.
- Describe undifferentiated, differentiated, concentrated and individualised target marketing.
- Discuss the criteria for effective positioning.

Application outcomes

After studying this chapter, you will be able to:

- Apply segmentation variables in consumer and business markets and evaluate segments.
- Choose a targeting approach for market coverage in your plan.
- Develop a meaningful positioning for marketing planning purposes.



CHAPTER PREVIEW

MARKETING AT NIKE®

Even when the brand name isn't visible, consumers usually recognise Nike® products (www.nike.com) when they spot the well-known swoosh symbol. As a US-based company with €27 billion in annual turnover worldwide, Nike® profits by addressing its marketing activities to the needs, preferences, interests, lifestyles, buying behaviours and media consumption patterns of particular consumer groups. These include consumers with an active lifestyle and both professional and weekend athletes who kick footballs, dribble basketballs, run races, hit baseballs or participate in other individual or team sports.

For example, Nike® designed its Flyknit shoes for sports-minded consumers seeking very flexible, very lightweight shoes. This product line also appeals to consumers who prefer shoes made from environmentally friendly materials and those who enjoy being an early adopter of new styles. Depending on the segment being targeted, Nike® emphasises sports benefits, product performance, sustainability, style or status. Nike® dominates the US market for basketball shoes, and endorsements from superstar players reinforce the brand's performance image. In China, Nike's largest single market after North America, basketball sponsorships add to the brand's status and set it apart from competitors. In fact, Nike® sometimes introduces new shoe products first in China, adding to the buzz about its brand before the shoes are introduced elsewhere.[1]

Nike® knows it can't market every product to everyone, everywhere. Instead, it studies its customers, groups them according to similarities and differences, then selects specific groups for marketing attention, as in Stage 3 of the marketing planning process. This chapter explains how market segmentation works and how marketers use targeting to market to certain customers. Finally, you'll see how to apply positioning for competitive power. Use the two checklists in this chapter as you prepare to evaluate marketing segments and plan your positioning.

Benefits of segmentation, targeting and positioning

Market segmentation involves grouping consumers or business customers within a market into smaller segments based on similarities in needs, attitudes or behaviour that marketing can address. As you saw in the opening example, Nike® segments its markets on the basis of interests, attitudes, behaviour and other factors. By eliminating inappropriate markets and identifying promising segments for more thorough research, the company can better understand customers and more effectively respond to their needs. Because local, national and global markets are increasingly competitive, all marketers must know how to distinguish between different customer groups in preparation for meeting stated and unstated needs through marketing.

Segmentation also helps Nike® decide which segments to target for marketing activities, and in what order. Demographics indicate that the middle class is growing rapidly in China, and interest in certain sports is very high. This makes China a good place to introduce upmarket and specialised shoes, as well as athletic shoes for everyday use. Having a process for determining which customer groups should be given priority marketing attention is especially important in light of the budget pressures and competition faced by marketers today. Finally, the knowledge gained during segmentation helps firms to determine how to create a meaningful and competitively distinctive position in the minds of the targeted customers (see Figure 4.1).

Market and customer research

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Market segmentation	**Benefits**
1. Choose a market 2. Apply segmentation variables 3. Evaluate segments 4. Select and rank segments for marketing attention	1. Eliminates markets that are inaccessible or inappropriate 2. Creates segments of customers with similar needs or behaviour yet different responses to marketing 3. Improves marketing efficiency 4. Identifies opportunities, threats and marketing priorities

↓

Targeting	**Benefits**
1. Determine target market coverage 2. Create personas for targeting	1. Guides development of appropriate marketing activities 2. Adds a human dimension and helps marketers visualise each segment's customers

↓

Positioning	**Benefits**
1. Decide on point(s) of differentiation 2. Communicate positioning	1. Highlights attributes that customers find meaningful in the competitive context 2. Reinforces differentiation, enhances consistency of marketing

↓

Marketing activities

Figure 4.1 Applying segmentation, targeting and positioning

Segmentation is useful for marketing planning when:

- the customers within each segment have something identifiable in common;
- different segments have different responses to marketing efforts;
- the customers in segments can be reached through marketing;
- competitive advantage can be gained by focusing on segments;
- segments are sufficiently large or potentially profitable to warrant attention.

A segment may consist of millions of people, yet still be a select subset of a much larger market. Customers within each segment will have similar behaviour and needs, or be seeking the same benefits from a product. Taking segmentation one step further, you may be able to distinguish **niches**, small sub-segments of customers with distinct needs or requirements that can be profitably satisfied. To illustrate, Joya® Shoes, based in Switzerland, is marketing to the niche of older consumers who want soft, comfortable shoes for work, walking or standing. 'People are getting older, and this segment is getting bigger', explains one of the co-founders. Since Joya® was founded in 2006, it has increased the size of its product line and expanded distribution to 23 countries.[2]

Taken to the extreme, you may be able to segment a market to create niches of individual customers. In the past, marketing to such small niches would not be profitable. Now you can use technology to discern the specific needs, behaviours and responses of individual consumers or business customers. In some industries, such as jet engines, the potential profit from a single order makes it worthwhile to segment and target single-customer niches or, in large markets, to individualise marketing on a mass basis.

The market segmentation process

As you create your marketing plan, you'll follow three steps to segmenting a market, as Figure 4.1 indicates. Your decisions in all three steps depend on understanding your mission and long-term goals, as well as on detailed, current information drawn from internal and external audits (see **Chapter 2**), plus your analyses of markets and customers (see **Chapter 3**).

Choose the market

With your market definitions as a starting point, begin the segmentation process by determining which markets you will investigate further and which you will eliminate. You may want to consider eliminating markets based on:

- formidable legal, political, social or competitive pressures;
- extreme logistical difficulties;
- lack of purchasing power or other serious economic challenges;
- troubling ethical controversies;
- persistent ecological concerns.

For years, many marketers eliminated Vietnam from their list of viable markets because of trade barriers and other political and legal difficulties. However, once Vietnam simplified its business laws, joined the World Trade Organisation, improved its transportation infrastructure and lowered trade barriers, the country rejoined the list of markets being considered by companies around the world. Vietnam has a population of 93 million and a growing economy. Consumer buying power has been increasing year by year, and the government is offering tax incentives for investment. Multinational firms find Vietnam an attractive market for goods and services. Japan's All Nippon Airways® invested in Vietnam Airlines® to profit from growth in travel, for example, and Thailand's Singha brewery invested in Masan Group® to profit from its marketing of beer, noodles and other frequently purchased food products. Boeing® recently made a huge sale of passenger jets to Vietnam's VietJet®.[3]

Once you have eliminated inappropriate markets, look for ways to distinguish meaningful segments in your chosen markets. The point is to form consumer or business segments that are internally homogeneous, yet exhibit some differences (compared with other segments) that can be addressed through marketing. If you find no differences, segmentation is pointless, because you will not need to vary your marketing approach for each segment.

Apply segmentation variables in consumer markets

In consumer markets, customer characteristics and product-related behavioural variables can be used to identify segments for planning purposes (see Table 4.1). For more specific segment definition, you should apply a combination of appropriate variables. Many customer characteristics are easy to identify and apply. However, behaviour-based, product-related approaches, which can be challenging to isolate and analyse, typically give you more insight into potentially effective marketing approaches for each consumer segment.

You can also apply geographic variables when you want to enter or increase sales in specific regions or climates; avoid specific countries or regions because of competitive challenges or other threats; or leverage your organisation's strengths for competitive advantage in certain areas. Remember that buying is usually motivated by numerous factors; even consumers who share a particular characteristic will not necessarily respond in the same way to the same marketing activities. Thus, applying non-geographic variables such as gender or vocation can reveal viable segments across geographic boundaries.

One advantage to applying variables such as consumption patterns and purchase occasion is that they are easily observed, measured and analysed. For example, Domino's® uses behavioural variables such as how weather affects purchasing and how consumers use digital media to segment the British market for takeaway pizza. Extreme weather, such as heavy rain or cold temperatures, tends to increase demand for takeaway pizza. Domino's® also applies product-related segmentation variables. Finding that heavy users of online and mobile media respond well to Domino's® promotions, the firm offers an app that links to discount vouchers. This app has been downloaded more than 11 million times and accounts for nearly half of Domino's® online orders.[4]

In many cases, understanding how and why a consumer does or does not use a product can help you uncover wants or needs that you can address through marketing. It can

Table 4.1 Variables for segmenting consumer markets

Customer characteristics – a user-based approach that asks: 'Who purchases what?'	
Demographic • Age • Family size • Marital status • Gender	**Socioeconomic** • Income • Class • Vocation • Education • Religion • Ethnicity
Geographic • Global, hemispheric, national, state, city, postal code • Climate • Rural vs urban	**Lifestyle/personality** • Attitudes/opinions • Interests • Avocations • Tastes and preferences
Product-related approaches – a behavioural approach that asks: 'Why do they purchase?'	
User types • Regular • Frequent • Non-user • First-time • Potential	**Price sensitivity** • Low-cost orientation • Higher-cost quality/differentiation focus
Purchase and consumption patterns • Purchase occasion • Buying situation • Low, medium, high consumption • Application • Purchaser vs end user	**Perceived benefits** • Performance • Quality • Image enhancement • Service
Brand loyalty • Loyal/satisfied • Experimenters • Unsatisfied/defectors • Unaware	**Media exposure and usage** • Preferred media • Multiple media usage • Device used for media access • Time, day, occasion

Source: Adapted from *Strategic and Competitive Analysis: Methods and Techniques for Analyzing Business Competition,* 1st Edn., Pearson Education Inc. (Fleischer, C.S. and Bensoussan, B. 2003) p. 173; Prentice Hall, Fleisher, Craig S.; Bensoussan, Babette, *Strategic and Competitive Analysis: Methods and Techniques for Analyzing Business Competition,* 1st Edn., p. 173, © 2002. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

also help you to prepare a targeting strategy for competitive advantage.[5] As Whitbread® (www.whitbread.co.uk) expands its Premier Inn® hotels, for example, it must decide on tangible and intangible features that will meet the stated and unstated needs of particular segments.

MARKETING IN PRACTICE
WHITBREAD'S® PREMIER INN®

Whitbread's® mission is to 'grow legendary brands by building a strong customer heartbeat and innovating to stay ahead'. The Premier Inn® budget hotel chain accounts for a significant percentage of Whitbread's® annual turnover. Following a marketing plan for growth, the chain is on track to operate 85,000 hotel rooms by 2020, including new hotels in the UK, Europe, India and the Middle East.

In the UK, Premier Inn® targets families with features such as free breakfasts for children, giving guests more value for their money. It also offers free Wi-Fi access. Some of the hotels have self-service kiosks that allow guests to avoid the queue at reception. Another intangible feature is Premier Inn's money-back guarantee, which delivers the benefit of reassuring guests that they will be satisfied with their experience.

Whitbread® is expanding into India to take advantage of opportunities created by the growth of the middle class and higher demand for domestic travel. Before building its first Premier Inn® hotels in India, it obtained feedback from consumers by showing them several prototype guest room designs. The company learned that Indian guests prefer a closed wardrobe, rather than an open wardrobe as in its UK rooms; it also made every room large enough for a family of four. For the convenience of business travellers, every Premier Inn® in India is designed with meeting rooms and a full-service restaurant. There are three things Premier Inn® doesn't plan to change in any market: its affordable prices, its signature purple décor and the competitive edge of a money-back guarantee.[6]

Marketing plan analysis:

Considering Premier Inn's tangible and intangible features, which segmentation variables is the company applying?

Apply segmentation variables in business markets

As in consumer markets, business markets can be segmented using both customer characteristics and product-related approaches that probe behaviour (see Table 4.2). Customer characteristics describe the organisation from the outside, whereas behavioural variables look at activities and dynamics below the surface. Generally, marketers apply both types of variables to form segments of organisational customers that are internally homogeneous but have different needs or different responses to marketing when compared with other segments.

You can apply demographics such as industry type, geography and annual turnover to narrow the dimensions of a business market before you apply behavioural variables. Business customers typically have different needs and responses from those of non-profit organisations and government agencies; likewise, larger or older organisations tend to have different needs and responses from those of smaller or newer organisations. Some

Table 4.2 Variables for segmenting business markets

Customer characteristics – a user-based approach that asks: 'Who purchases what?'	
• Industry type • Geographic • Industry position	• Company size • Use of technology • Business age • Ownership structure
Product-related approaches – a behavioural approach that asks: 'Why do they purchase?'	
• Consumption patterns/usage frequency • End-use application • Perceived benefits • Goals • Size of purchase	• Relationship between seller/purchaser • Psychodemographics of purchaser • Purchasing policies

Source: Adapted from *Strategic and Competitive Analysis: Methods and Techniques for Analyzing Business Competition,* 1st Edn., Pearson Education Inc. (Fleischer, C.S. and Bensoussan, B., 2003) p. 174; Prentice Hall, FLEISHER, CRAIG S.; BENSOUSSAN, BABETTE, *Strategic and Competitive Analysis: Methods and Techniques for Analyzing Business Competition,* 1st Edn., p. 174, © 2002. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

organisations rely more heavily than others on certain technologies (such as e-commerce or customer-contact software), another indicator that can help you segment your market.

Also, you can use frequency, size, timing and method of purchasing to segment business markets, along with variables reflecting purchasing policies and authorised buyers. When you segment a business market by product-related variables, especially in combination with customer characteristics and end-user characteristics, you can uncover important needs and buying patterns. Here's how the German multinational corporation BASF® (www.basf.com) segments the business market for its products.

MARKETING IN PRACTICE
BASF®

With €74 billion in annual turnover worldwide, BASF® has a product portfolio that includes industrial chemicals, automotive paints, packaging, plastics, cleaners, crop-protection products, construction products, and oil and gas products. BASF's® marketers use customer characteristics such as industry type, geography and production process employed to segment the B2B market. They also analyse product-related variables such as consumption patterns, end-use application, perceived benefits and size of purchase when segmenting the business market. Market by market, they examine the business environment, customer needs, consumer trends and other factors that affect long-term supply and demand.

High-growth industries are an important priority for BASF®. For example, it aims to be a leader in supplying battery chemicals and plastic connectors for electric and hybrid-engine cars. This goal is based on an analysis of the segment's long-term growth, government actions supporting green vehicles and the purchasing patterns of end-users, including government buyers of vehicle fleets and consumers who buy electric and hybrid vehicles. Another key industry is agribusiness, where BASF® has a short-term goal of attaining a 10 per cent share of the herbicide-resistant soybean seed market. This is an attractive market because of increased global demand for soybeans and because customers want to be able to buy seeds from different suppliers.[7]

Marketing plan analysis:

What role are budgets, buying cycles and competitive pressures likely to play in the way businesses respond to BASF's® marketing efforts? What are the implications for the way it segments the market?

Evaluate and select segments for targeting

The next step in the segmentation process is to assess the attractiveness of each segment. Here, you assess the size of the opportunity, environmental factors, competition, reach and response and see how each element fits with internal considerations such as mission, image, strengths, core competencies, resources (including technology) and performance. The purpose is to eliminate undesirable segments and evaluate the possible opportunities inherent in the remaining segments. Ideally, you want to be active in segments that play to your organisation's strengths and capabilities, but take care not to stretch your resources too thin. At this point, you can screen out segments with insufficient profit potential, intense competition or other complications.

After you drop unattractive or unsuitable segments from consideration, rank the remaining segments in priority order for marketing attention, on the basis of research and analysis. You can do this in several ways. For example, you might assign relative weights to each of the evaluation criteria and calculate the total scores segment by segment. The sample ranking shown in Table 4.3 shows how you might score three segments based on five main criteria categories, along with a total score per segment. As in this sample, a segment may merit a high score for the size of the opportunity yet have a much lower score for environmental factors or another factor.

Table 4.3 Sample segment ranking

	Segment A	Segment B	Segment C
Size of opportunity	8	6	5
Environmental factors	3	5	4
Reach and response	6	4	7
Competitive advantage	7	4	3
Internal considerations	9	9	4
TOTAL SCORE	33	28	23

Note: Weighted scores range from 1 (extremely unattractive) to 10 (extremely attractive).

To decide which segment should be your top priority, look at the total score and, if necessary, set minimum scores for individual criteria. In the sample ranking, Segment A has the highest total score and, if the organisation does not require a minimum score of 5 or higher on all criteria, would be the highest priority. Note that Table 4.3 is a very simplified, fictitious example; organisations vary widely in their evaluation criteria, weighting and ranking systems.

Different companies use different criteria to rank segments. One criterion used by some marketers is **customer lifetime value**, the total net revenue (or profit) a particular customer relationship represents to the organisation over time. This is because research indicates that focusing marketing activities on customers in segments with the potential for higher lifetime value can significantly increase revenue.[8] Amazon®, the pioneering online retailer, reportedly makes little if any profit on its Kindle® readers and tablets. For Amazon®, the long-term value is in the entertainment content that Kindle® buyers will purchase year after year – increasing the lifetime value of each customer and reinforcing brand loyalty. Thus, attitudes towards and use of mobile technology are suitable segmentation variables for Amazon®.[9]

The choice of criteria depends on your unique situation, your chosen market and your customer knowledge. If possible, use sensitivity analysis to adjust criteria weights under differing forecasts and confirm priority rankings by testing prospective strategies before moving ahead with full-scale marketing plans. Among the criteria you can use to select and rank segments for marketing attention are:

- fit with the firm's goals, strengths, resources and core competencies;
- competitive advantages;
- advantageous pricing or supply costs due to relative power of buyers or suppliers;
- sizeable profit and growth potential;
- ecological impact;
- significant potential for building long-term customer relationships.

Checklist No. 7 offers specific questions to ask when evaluating and selecting segments for marketing attention.

ESSENTIAL CHECKLIST NO. 7
EVALUATING MARKET SEGMENTS

Before you can set objectives and plan marketing programmes, you must determine which customer segments you want to reach. This checklist will help you to evaluate the various segments identified within the overall market.

- ☐ What is the current size of the segment and how is it changing?
- ☐ What current and future sales and profit potential do you see for this segment?
- ☐ Would marketing to this segment yield an acceptable or superior payback in customer lifetime value?

- ☐ What is the competitive situation in this segment?
- ☐ Can the organisation realistically capture and defend market share in this segment?
- ☐ How much power do buyers and suppliers in this segment have, and can buyers be reached through marketing?
- ☐ What threats exist or could emerge to prevent success in this segment?
- ☐ Does the organisation have the strengths, competencies and resources to serve this segment?
- ☐ Does the segment fit with the organisation's mission, image, overall goals and sustainability situation?

The targeting process

Once you've selected segments for marketing attention, you're ready to make decisions about targeting. As shown in Figure 4.2, you can use one of four coverage approaches to target segments: undifferentiated marketing, differentiated marketing, concentrated marketing or individualised marketing.

Undifferentiated marketing

Essentially a mass-marketing approach, **undifferentiated marketing** means targeting the entire market with the same marketing mix, ignoring any segment differences. This assumes that all customers in a market, regardless of differences in characteristics or behaviour,

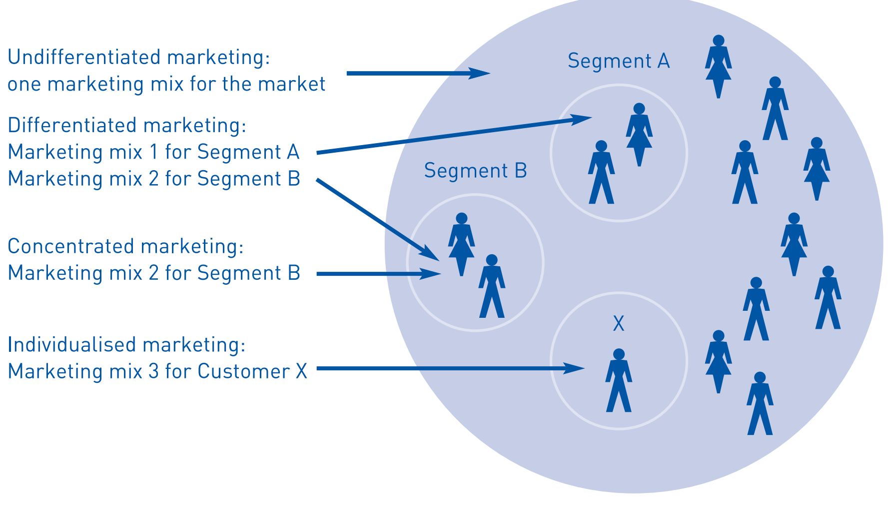

Figure 4.2 Segment targeting coverage strategies

will respond in the same way to the same marketing attention. Undifferentiated marketing is less expensive than other coverage strategies, due to the lower costs of developing and implementing only one marketing mix. However, today's markets are rarely so homogeneous; even slight differences can serve as clues to underlying needs in segments where an organisation can gain competitive advantage, encourage loyalty and make a profit.

Differentiated marketing

With **differentiated marketing**, you formulate a separate marketing mix for the two or more segments you choose to target. You may not target all segments in a given market, but for those you rank as priorities, you will need different marketing mixes geared to each segment's unique characteristics and behaviours. The assumption is that you can provoke a different response from each segment by using different marketing mixes. Customers benefit because their needs are being addressed, which increases satisfaction and loyalty. Moreover, you can compete more effectively by tailoring the marketing mix for each segment, although this is much more costly than undifferentiated marketing and may overburden resources if not carefully managed. Germany's BMW® Group (www.bmwgroup.com), which owns the BMW® brand, the Mini brand and the Rolls-Royce® brand, uses differentiated marketing to target multiple segments.

MARKETING IN PRACTICE
BMW® GROUP

With €92 billion in annual worldwide turnover, the BMW® Group uses a variety of segmentation variables to identify profitable customer groups for marketing attention. Its largest market is Europe, which accounts for 45 per cent of revenues, followed by China and the Americas. Geographic segmentation is important because the BMW® Group's marketing must take into account legal and regulatory differences between markets, as well as driver needs and preferences that differ from region to region. As a result, the company has selected a number of segments for marketing attention, brand by brand, to address the specific needs, interests and behaviour of targeted car buyers.

The BMW® brand targets car buyers who enjoy driving (a segment identified by applying lifestyle and personality variables). The Mini brand is marketed on the basis of creativity and authenticity (lifestyle and personality variables) as well as on the basis of a compact, stylish design for urban driving (perceived benefits and geographic variables). The Rolls-Royce brand is legendary for luxury, exclusivity and high quality (appealing to segments formed by applying socioeconomic characteristics, lifestyle, brand loyalty and perceived benefits variables).

In addition, the company has identified profitable opportunities in marketing to different segments of the market that prefer earth-friendly vehicles and cars equipped with the latest engineering and technology advances. Despite growing competition from makers of upmarket electric and self-driving vehicles, the BMW® Group sees careful segmentation and targeting – with technology attitudes and usage key variables – as the road to even stronger brand positioning and higher profit margins in the future.[10]

Marketing plan analysis:

If you were writing the BMW® Group's marketing plan, what would you say about segmenting the market according to brand loyalty?

Concentrated marketing

As you saw in Figure 4.2, **concentrated marketing** involves targeting one segment with one marketing mix. The idea is to compete more effectively and efficiently by understanding and satisfying one sizeable set of customers, rather than spreading organisational resources across multiple marketing activities for multiple segments. As long as the targeted segment remains attractive, this can be a profitable coverage approach. However, uncontrollable and unexpected factors such as new competition or changes in customer needs can make the targeted segment less attractive or even unfeasible over time.

Individualised marketing

You may be able to tailor marketing offers to individuals within certain targeted segments, a coverage approach known as **individualised** (or **customised**) **marketing**. Airbus®, for example, can identify all the potential buyers for passenger jets and cargo planes, get to know their needs and specifications, then develop a separate marketing mix for each. The markets for commercial passenger jets and cargo planes are not so large that this is impractical, and the potential profit from each order is so great that individualised marketing makes sense for Airbus®. Individualised marketing is especially important to Airbus® and rival Boeing®, which are both keen to sell jets in India. Because air travel continues to grow more quickly there than in many other regions, the two competitors are targeting SpiceJet® and other budget carriers that serve the domestic market.[11]

If you have the right technology, you can opt for **mass customisation** and create products and/or communications tailored to individual customers' needs on a larger scale. Australia Post®, the country's postal service, is using this approach. Its iPhone® app allows consumers to order their personal photos made into printed postcards, addressed and mailed. As mail volume declines, mass customisation is one way Australia Post® can cater to consumers' changing behaviour and needs.[12]

Segment personas

Marketers such as Lululemon® are adding a human dimension to targeting and segmentation by constructing **segment personas**, fictitious yet realistic profiles representing how specific customers in targeted segments would typically behave in a marketing situation. The idea is to use research to understand how customers actually interact with a product (and competing products), what influences and motivates those customers, and how their needs and preferences affect buying and consumption. Developing personas helps you avoid seeing members of a segment as faceless, nameless people in a crowd. Instead, personas represent them as individuals with real needs, attitudes and behaviours, especially important for planning products and communications.[13]

As an example, Walmart® Canada uses segmentation to focus its marketing activities on particular customer segments with profit potential. 'There was a time when we would have said every Canadian was our customer', says the executive vice president. These days, its marketers have identified segments such as families for special research and marketing attention. In researching and updating the segment persona for mothers with young children, Walmart's® marketers recognised that these customers perceive cost and value in terms of money, time, and effort, not just purchase price. Mothers become even more conscious of time- and money-saving shopping possibilities as their families grow, so the retail giant is promoting online ordering and the convenience of collecting purchases whenever customers choose.[14]

The positioning process

With positioning, you use marketing to create a competitively distinctive position for your product in the minds of targeted customers. You need marketing research to understand how your targeted customers perceive your organisation, product or brand and your competitors. Research can also help to determine which attributes matter most to the targeted customers. Regardless of how you see your products, it is the customer's view that counts.

Repositioning means using the marketing plan to change the competitively distinctive positioning of a brand in the minds of the targeted customers. To illustrate, upmarket automaker Porsche® has repositioned its Boxter and Cayman models. Before, the Boxter roadster was priced as the affordable Porsche®, and the Cayman coupe was priced slightly higher, even though Porsche's costs for the Boxter were higher and the Cayman engine had lower horsepower. Now that both models have similar horsepower as the company streamlines production to improve fuel efficiency and reduce emissions, Porsche® is pricing the Boxter higher than the Cayman. It is also adding '718' to the brand names to evoke associations with the racing heritage of Porsche's Model 718 race cars of the past.[15]

Deciding on differentiation

Successful marketers understand the importance of deciding on points of difference that are not only competitively distinctive and advantageous, but also relevant and believable. Porsche's sports cars are differentiated on the basis of performance and design, two qualities that its customers find advantageous, credible and relevant. In general, you can differentiate your offering along the lines of quality, service, image, personnel or value. Whatever your choice, a product's positioning must be based on criteria that are relevant, meaningful and desirable from the customer's perspective yet competitively distinctive. Here are three examples of effective positioning based on desirable differentiation criteria:

- *Specsavers®*: affordable, stylish spectacles (value differentiation);
- *Mercedes-Benz®*: well-engineered, well-appointed luxury vehicles (quality differentiation);
- *Metro Bank®*: friendly, professional service in comfortable neighbourhood branches (service differentiation).

Applying positioning

Your marketing plan must show how you'll actually carry through the positioning in your product's marketing and performance (see Checklist No. 8). Determine whether your organisation can realistically develop and market a product that will live up to the meaningful points of difference you've chosen. Then consider whether the points of difference can be communicated to the targeted segments. Finally, be sure that you can sustain the product's performance and differentiation over time.

Positioning (or repositioning) is the driver behind all the marketing activities you will include in your marketing plan. With differentiated marketing, you develop a positioning appropriate to each segment and apply that positioning through your marketing decisions for each segment. With concentrated marketing, you establish one positioning for the single segment you target. Remember that as markets evolve and customers' needs change, you must be prepared to reposition a product, if necessary, for relevance, desirability and deliverability.

ESSENTIAL CHECKLIST NO. 8
PLANNING FOR POSITIONING

Use this checklist as you make decisions about positioning or repositioning your product or brand.

- ☐ What specific points of differentiation are meaningful to your customers and applicable to your brand or product?
- ☐ How can you use differentiation to position your offer as competitively distinctive, desirable and superior?
- ☐ Is your positioning credible, relevant and realistic in the context of customers' needs, your organisation's capabilities and competing offers?
- ☐ How can you use your marketing mix to support, communicate and deliver on your positioning?
- ☐ If you choose differentiated marketing, how can you adapt your positioning for specific targeted segments or geographic markets?
- ☐ What changes in customers' needs, competitive pressures or the marketing environment might cause you to undertake repositioning?

CHAPTER SUMMARY

Segmentation helps marketers rule out inappropriate markets, identify specific segments for more study, and better understand customers in those segments so that the organisation can respond to their needs. Evaluating segments enables the organisation to decide which groups of customers to target and in what order. The process also provides a basis for creating a meaningful and competitively distinctive position in the minds of each target segment's customers.

Marketers segment consumer markets by applying user-based characteristics (demographic, geographic, socioeconomic and lifestyle/personality) and product-related behavioural variables (user types, consumption patterns and usage frequency, brand loyalty, price sensitivity, perceived benefits and more). Business markets can be segmented using customer characteristics (industry type, geographic, industry position, company size and more) and product-related behavioural variables (consumption patterns/usage frequency, end-use application, perceived benefits and more). Target-market coverage strategies include undifferentiated, differentiated, concentrated and **individualised (customised) marketing**. To be effective, the offer must be positioned or repositioned in a way that is competitively distinctive, relevant and credible, able to be communicated and sustainable over time.

A CLOSER LOOK

MARKETING AT NIKE®

Nike® CEO Mark Parker challenges his marketing experts to look closely at what customers want and need and to understand what will inspire athletes while enhancing the 'swoosh' brand. All of these elements are important to the company's segmentation, targeting and positioning. Parker believes the company has so many good opportunities that his role is to narrow the focus to segments where Nike's strengths – such as innovation and customer engagement – will make it unstoppable.

The company has appointed a chief digital officer to direct and coordinate innovations that improve its products and its communications as it targets particular customer segments. For example, Nike® markets a range of technology enabled footwear and accessories, such as self-lacing shoes, for early adopter consumers. Another segment being targeted is consumers and professionals who want to track and improve their athletic performance over time using the downloadable Nike+ app. Users of this app can record physical activity and track their performance, in running or any other sport, day by day and week by week. They can also participate in Nike+ communities, adding a social dimension and building brand goodwill.

Depending on the targeted segment, Nike will convey the brand's image and benefits using a variety of adverts, billboards, online and in-store videos, bespoke microsites, social media, celebrity appearances and special events. Its global Facebook® page has more than 130 million likes and its Twitter® account has more than 20 million followers. Counting the digital outreach for individual products, sports and sporting events, Nike's online marketing reaches hundreds of millions of people every day, offering great potential for international engagement over the long term.[16]

Questions

1. How does Nike's decision to use differentiated marketing affect its marketing communications decisions?
2. If you were selecting criteria to rank consumer segments for Nike's basketball shoes, what specific internal and external factors would you apply and which would you put the most emphasis on?

APPLY YOUR KNOWLEDGE

Research the segmentation, targeting and positioning of a particular company that is active in consumer or B2B marketing, using its products, advertising, website and other activities as clues. Prepare a brief oral or written report summarising your thoughts after completing this exercise.

- Based on the organisation's marketing, what market(s) and segment(s) appear to be targeted?
- Is this company using differentiated, undifferentiated, concentrated or customised marketing? How do you know?
- What benefits are featured in the company's marketing and what customer needs are they designed to satisfy? How might the targeted segments be described in terms of needs?
- Analysing the marketing clues you have observed, what product-related variables do you think this company is using to segment its market(s), apart from benefits sought?
- In one sentence, how would you summarise the positioning this company is trying to reinforce in one of the targeted segments?

BUILD YOUR OWN MARKETING PLAN

Proceed with the marketing plan for a hypothetical organisation or an actual organisation that you have chosen. During the segmentation process for this organisation, what markets would you eliminate from consideration and why? What specific segmentation variables would you apply to the remainder of the market, and how would you expect them to create segments that make sense from a marketing perspective? What further research would support this segmentation?

What criteria would you use to evaluate the segments you identify? Given the organisation's overall goals, strengths and resources, what targeting approach would you choose? If you were constructing a persona for one of your segments, how would you describe that customer? Finally, what positioning or repositioning would you want to reinforce for the customers in each targeted segment? If these ideas are appropriate in light of your earlier decisions, document them and explain how they affect your strategy in a written marketing plan.

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5

Planning direction and objectives

Learning outcomes

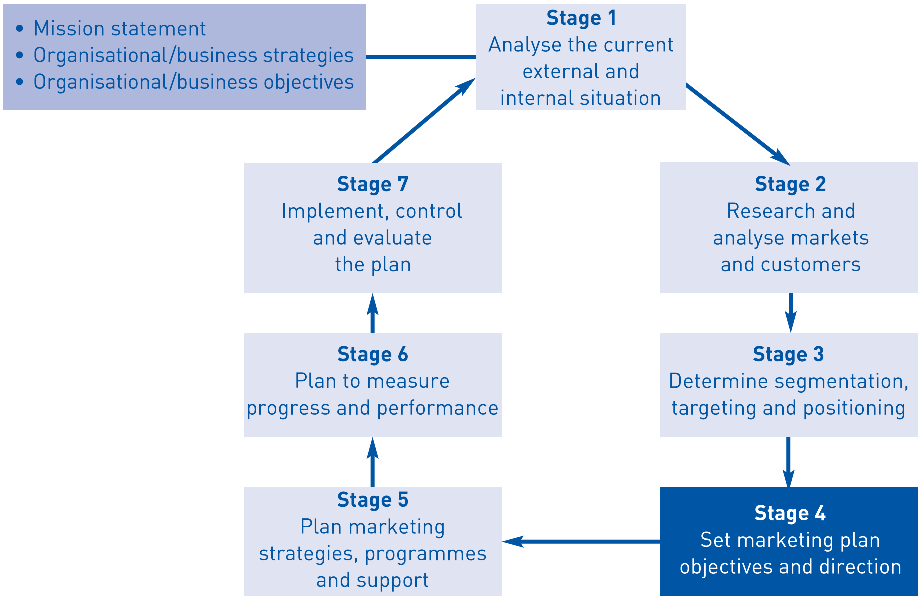
After studying this chapter, you will be able to:

- Explain the three broad directions that can shape a marketing plan.
- Discuss how financial, marketing and societal objectives work together in a marketing plan.
- Describe the characteristics of effective objectives.

Application outcomes

After studying this chapter, you will be able to:

- Set a direction for your marketing plan.
- Formulate your marketing plan objectives.



CHAPTER PREVIEW

MARKETING AT LEGO® GROUP

'Our ultimate purpose is to inspire and develop children to think creatively, reason systematically and release their potential to shape their own future – experiencing the endless human possibility'. That's the mission statement of the LEGO® Group, based in Denmark, which has marketed colourful snap-together plastic bricks in building sets since 1958. The LEGO® Group's long-term goal is: 'to leave a positive impact – be it in respect to the Group's stakeholders or the wider community'.

With €4.8 billion in annual turnover, LEGO® (www.lego.com) is one of the top two toymakers in the world. It has enjoyed double-digit global growth for more than a decade, and in a few markets, it has sometimes achieved 35 per cent annual growth. Just fifteen years ago, the company was on the brink of financial ruin. To survive, its marketers implemented a new marketing plan for improving product development. It studied how children play and set objectives for developing innovative products to address playtime priorities, using the company's core competencies and emphasising its brand's heritage. Implementing that marketing plan was the key to LEGO's remarkable recovery.

These days, LEGO's marketing plans guide the company towards continued growth in 140 nations. In addition to seeking to increase revenue, profit and market share through numerous product introductions, LEGO® has specific sustainability targets for cleaner manufacturing and cleaner power.[1] In this chapter, you'll learn about choosing a marketing plan direction and setting objectives, which make up the fourth stage in the marketing planning process. Not all marketing plans aim for growth, which is why the chapter looks at non-growth choices as well. No matter what direction you choose, you'll also set marketing, financial and societal objectives, as discussed in this chapter. Use this chapter's checklist to evaluate your objectives; also look at the objectives in the sample marketing plan, located in the Appendix.

Marketing plan direction

As noted in **Chapter 1,** corporate-level plans are supported and implemented by business-level plans and, in turn, supported and implemented by functional-level plans for marketing, operations, and so forth. These upper-level plans and strategies will determine the direction and objectives of your marketing plan. Many companies set growth as the direction for their marketing plans, but not all organisations pursue growth. Some seek to maintain their current position, postponing growth because of adverse economic conditions, fierce competition, financial problems, or for other reasons. Others retrench by selling off units or products, exiting particular markets or downsizing in other ways – often for survival purposes or to prepare for later growth. Growth and non-growth strategies, summarised in Figure 5.1, are discussed next.

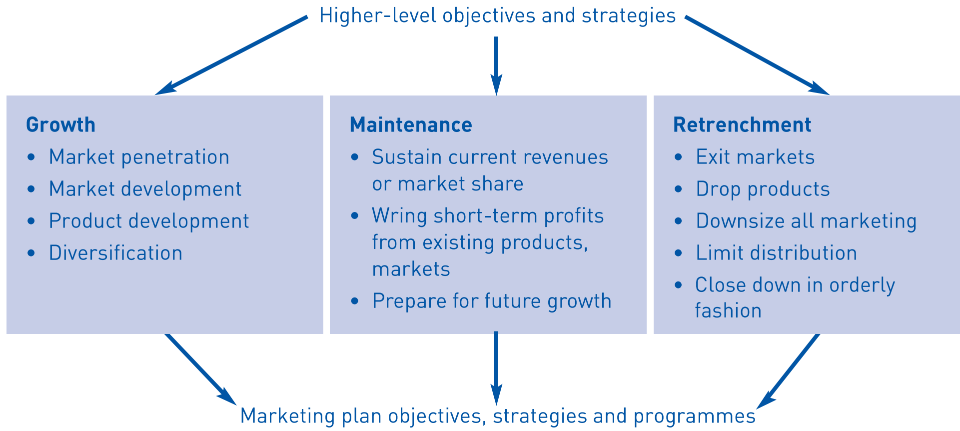


Figure 5.1 Choices of marketing plan direction

Growth strategies

If your organisation wants to grow, you will choose among the four main growth strategies proposed by H. Igor Ansoff: market penetration, product development, market development and diversification.[2] With **market penetration**, you offer existing products to customers in existing markets. This increases unit and/or monetary sales and simultaneously reinforces the brand or product's strength in each market. For example, food marketer Knorr®, owned by Unilever®, uses traditional adverts and social media to encourage customers in existing markets to buy or buy more frequently. In emerging markets, where Knorr® is building brand awareness and preference, it has an artificial intelligence system called 'Chef Wendy' to text answers to consumers' questions, submitted by mobile, about what to cook.[3]

With **product development**, you market new products or product variations to customers in existing markets. This works only when you can develop a steady stream of product innovations that are appropriate for the needs of customers in those markets. Electrolux®, the Swedish home appliance manufacturer, is doing this by introducing new cookers with features such as added steam for juicier oven-cooked meats and app-controlled timing and temperature. Innovative products will help Electrolux® to pursue growth and profit objectives as it battles strong competition in markets worldwide.[4]

With **market development**, you pursue growth by marketing existing products in new markets and segments. Such a strategy builds on the popularity of established products and allows firms to expand their customer base either geographically or by segment. Hero MotoCorp®, headquartered in India, is using market development to introduce its motorcycles into Nigeria, Mexico and other new markets as part of its long-term goal to sell 100 million units annually.[5]

The fourth growth strategy is **diversification**, which means marketing new products in new markets or segments. You can diversify by: (1) distributing new products in new markets through existing channel arrangements; (2) initiating new marketing activities in new markets; or (3) acquiring companies to gain access to new products and new markets. Apple®, the US-based tech giant, is diversifying to generate higher revenues by using its core competencies to enter new product categories, such as wearable tech products including the Apple® Watch. Alphabet®, the parent company of Google, is diversifying beyond Internet search, advertising and operating systems to market tangible products such as virtual-reality devices and smart-home networking devices.[6]

Non-growth strategies

Sometimes growth is not an appropriate direction. Pressured by severe economic or competitive conditions, insufficient resources, ambitious expansion, lower demand or stagnant revenues and profits, organisations may follow a maintenance strategy or even retrench. A maintenance marketing plan can be designed to keep revenues, market share or profits at current levels or at least defend against deterioration.

Rather than invest heavily in improving products, targeting new markets, developing new promotions or other marketing activities, an organisation could try to harvest short-term profits from existing products or markets and retain relationships with customers. This would conserve resources while simultaneously building a stronger foundation for later growth. The point, says Professor Michael Porter of Harvard University, is to plan for short- and long-term possibilities at the same time. In fact, taking a long-term view when reacting to short-term threats can present opportunities 'to make moves that you could never dream of making before'.[7]

Organisations that cannot maintain their current levels may implement a marketing plan to retrench. As shown in Figure 5.1, some common choices here are to withdraw from certain markets, eliminate particular products, downsize all marketing efforts, shrink distribution or go out of business. Not long ago, Tesco®, the UK grocery retailer, used a marketing plan to prevent further loss of market share and regain profitability amidst challenging economic circumstances and intense price competition from discount-grocery rivals. The supermarket giant sold off its US and South Korean businesses, closed underperforming UK stores and sharpened its focus on low prices and customer service as part of its marketing plan to stabilise financial results and defend market share.[8]

If a retrenchment plan is successful, a company will soon be able to start planning for the next step in the turnaround through a new growth strategy. On the other hand, if retrenchment is unsuccessful the company may need a marketing plan to continue reducing its size or, in the extreme, to shut down entirely in an organised way. Either way, guiding the organisation in a particular direction requires specific marketing plan objectives keyed to that situation, which in turn will lead to different marketing strategies and programmes.

Marketing plan objectives

Marketing plan objectives are short-term targets that, when achieved through implementation of appropriate action programmes, will bring the organisation closer to its longer-term goals. Some companies use the **Balanced Scorecard**, broad performance measures used to align mission, strategy and objectives as a way to manage customer relationships, achieve financial targets, improve internal capabilities, prepare for future innovation and attain sustainability. For example, Interstate Hotels and Resorts®, a US firm, uses Balanced

Scorecard measures to guide marketing strategy and to assess management performance in achieving planned results.[9]

Note that when broader standards of performance are applied, the marketing plan objectives have to be structured appropriately for these measurements. Also remember that if the objectives in your marketing plan are explicit and connected to higher-level objectives and long-term goals, the plan is more likely to produce the desired performance.[10]

Types of objectives

You can set marketing plan objectives in three categories. **Financial objectives** are targets for achieving financial results through marketing strategies and programmes. **Marketing objectives** are targets for achievements in marketing relationships and activities, which in turn directly support attainment of financial objectives. **Societal objectives** are targets for accomplishing results in areas related to social responsibility; such objectives indirectly influence both marketing and financial achievements. The choice of marketing plan objectives and specific targets will, of course, be different for every organisation. No matter what objectives you set, however, ensure that you can measure progress towards your targets after you implement your plan. Otherwise, you'll have no way of knowing whether your marketing actions are having the desired result. This is where metrics must be applied, as you'll learn in **Chapter 12**, to control implementation and adjust timing or tactics as needed.

Financial objectives

Companies usually set objectives for external results such as unit, monetary, product and channel sales, plus internal requirements such as profitability, return on investment and break-even deadlines. Table 5.1 shows the focus and purpose of financial objectives commonly used by businesses. Non-governmental organisations typically set objectives for short-term and

Table 5.1 Focus and purpose of financial objectives

Focus of financial objective	Purpose and examples
External results	To provide targets for outcomes of marketing activities such as: • increasing unit or monetary sales by geographic market • increasing unit or monetary sales by customer segment • increasing unit or monetary sales by product • increasing unit or monetary sales by channel or outlet • other objectives related to external results
Internal requirements	To provide targets for managing marketing to meet organisational requirements such as: • achieving break-even status • achieving profitability levels • achieving return-on-investment levels • other objectives related to internal requirements

long-term fundraising, as well as other financial targets. To achieve the organisation's financial objectives, you will need to coordinate other compatible objectives dealing with relationships between buyers and sellers, as well as suppliers and distributors.

A company might set a financial objective for external results such as *to achieve a minimum weekly sales volume of €1,000 for each new product*. Notice that this objective is relevant (for a profit-seeking organisation), specific, time-defined and measurable. Whether it is realistic, challenging and consistent depends on the company's particular resources and situation. A financial objective related to internal requirements might be *to achieve an average annual profit margin of 13 per cent across all products*. Because such objectives are measurable and time-defined, you can check progress and adjust your targets, your timing or your marketing if necessary. In some situations, you may change the deadline for an objective to allow more time for the marketing plan to work, if possible.

Marketing objectives

Connections with customers and channel members are particularly critical to organisational success, which is why every marketing plan should include objectives for managing these external relationships. Looking at the life cycle of a customer relationship, the organisation would begin by approaching the customer to explore a possible relationship, establishing a relationship and adding more ties to strengthen it; reigniting customer interest if purchases plateau or loyalty wavers, saving the relationship if the customer signals intention to switch to another product or brand, and restarting the relationship if the customer is open to switching back. This life cycle applies to relations with channel members as well.[11]

Many businesses establish explicit objectives for building their customer base, enhancing customers' perceptions of the brand, product or company, holding on to existing customers, increasing customer loyalty, boosting or defending market share, strengthening ties with key distributors, improving customer satisfaction and so on, as in Table 5.2. In practice, you need to avoid conflicts between your marketing objectives and your financial objectives. It can be difficult to dramatically increase both market share and profitability at the same time, as one example. Therefore, determine your organisation's priorities and formulate your marketing plan accordingly. Also consider whether some marketing activities should be exempt from measurable objectives.

For example, Innocent Drinks generates more than £200 million in yearly revenues by selling fruit smoothies, juices and water in 15 countries. It has a detailed marketing plan for growth, yet it sets no return-on-investment objectives for its 'weekend off the grid' festival, where 1,500 participants switch off their digital devices and enjoy yoga, music and food. An Innocent marketing manager explains that evaluating results can be 'difficult when you're trying to measure brand love or the depth of engagement people have with the brand'. In the case of this festival, the company aims for positive brand associations and word of mouth rather than setting specific numerical targets.[12]

In conjunction with objectives aimed at external relationships, you may formulate objectives covering internal activities such as increasing the accuracy or speed of order fulfilment, adjusting the focus, output or speed of new product development and arranging the resources for entering new segments or markets. Table 5.2 shows some sample objectives for internal activities.

Table 5.2 Focus and purpose of marketing objectives

Focus of marketing objective	Purpose and examples
External relationships	To provide targets for managing relations with customers and other publics such as: • building brand image, awareness and preference • stimulating product trial • acquiring new customers • retaining existing customers • increasing customer satisfaction and loyalty • actively engaging customers • acquiring or defending market share • expanding or defending distribution • other relationship objectives
Internal activities	To provide targets for managing specific marketing activities such as: • increasing output or speed of new product development • improving quality of goods or services • streamlining order fulfilment • managing resources to enter new markets or segments • conducting marketing research • increasing staff knowledge of customers and products • other objectives related to internal activities

Here's how Danone® (www.danone.com), based in France, uses objectives in its marketing plans for international growth.

MARKETING IN PRACTICE
DANONE®

Known for its dairy products, branded waters, children's nutritional foods and medical nutrition products, Danone® has increased annual turnover to €22 billion by marketing to consumers of all ages worldwide. More than 50 per cent of the firm's revenues come from popular dairy brands such as Danone® and Dannon yoghurts, with another 20 per cent from branded bottled waters such as Evian® and Danone® Aqua. Now Danone® is building on its strengths in branding, product development and channel management to increase share in emerging markets, complementing its established customer base and share in Europe and North America.

The company's financial objectives include increasing overall sales by 5 per cent yearly, with sub-targets for each product category (such as growth of up to 10 per cent for bottled water products). Danone® aims to improve profit margins among dairy products, in particular, through operational efficiencies and by investing in marketing to promote higher-margin products in targeted regions. The company's marketing objectives include improving share in existing markets, including China and Brazil, and maintaining brand leadership for products such as children's yoghurt. Looking ahead, good supplier and retailer relationships are a priority as Danone® prepares for product introductions in Africa, where it sees considerable expansion potential.

Finally, the company has announced sustainability goals to minimise its carbon footprint and protect the planet. Between 2007 and 2014, it lowered its carbon footprint by more than 40 per cent. Looking ahead, it aims to remove deforestation effects from its supply chain within a few years and, by 2030, cut its carbon footprint by another 50 per cent. To reduce waste, Danone® is going to work on packaging to make it more recyclable and will encourage consumers to recycle more than they do today.[13]

Marketing plan analysis:

Why would Danone® make good supplier and retailer relations a key part of its marketing objectives for growing the business in Africa?

Societal objectives

Because businesses like Danone® are increasingly mindful of their responsibilities to society – and the way their actions are viewed by stakeholders – a growing number are setting societal objectives to be achieved through marketing. Such objectives are addressed in marketing plans because they help the company to strengthen ties with customers (achieving marketing objectives) and increase or maintain sales (achieving financial objectives). As shown in Table 5.3, societal objectives may relate to ecological protection or to social responsibility and stakeholder relations.

Many businesses fulfil their societal objectives by donating money, goods or services to charities or good causes. This helps polish their image and demonstrates their commitment to the community and to society at large. Others integrate societal and marketing objectives. For example, Unilever® sets corporate and brand objectives for social responsibility, including obtaining an ever-higher percentage of ingredients from sustainable sources and improving products to help consumers conserve resources such as water. In developing nations, the marketing plans for Unilever's® Lifebuoy soap brand include societal objectives for reducing the number of diarrhoea-related deaths by promoting frequent hand-washing. Sales of Lifebuoy soap have increased as the clean-hands message reaches a wider audience. Unilever's® chief marketer officer has observed a close relationship between achieving societal objectives and achieving other objectives: 'Our brands that most engage with our sustainability and social purpose plan are growing faster'.[14]

Some companies set specific societal objectives for **cause-related marketing** (also known as *purpose marketing*), in which the brand or product is marketed through a connection to benefit a charity or other social cause. Properly implemented, such marketing initiatives have a positive effect on the cause, on customer satisfaction and on the company.[15] Be transparent about how the cause and the companies will benefit from the connection. Here's how cereal marketer General Mills® Canada (www.generalmills.ca/) partnered with Veseys Seeds® (http://veseys.com/ca) to encourage Canadian consumers to 'bring back the bees'.

Table 5.3 Focus and purpose of societal objectives

Focus of societal objective	Purpose and examples
Ecological protection	To provide targets for managing marketing related to ecological protection and sustainability, such as: • reducing carbon footprint with eco-friendly processes, products and activities • doing business with 'green' suppliers and channel members • reducing waste by redesigning products and processes for recycling and other efficiencies • conserving natural resources • other objectives related to ecological protection
Social responsibility and relations with publics	To provide targets for managing marketing related to social responsibility and relations with publics, such as: • building a positive image as a good corporate citizen • supporting designated charities, community projects, human rights groups and others, with money and marketing • encouraging employees, customers, suppliers and channel members to volunteer • engaging publics in two-way dialogue to share concerns and explain societal initiatives • other objectives related to social responsibility and relations with publics

MARKETING IN PRACTICE
BRING BACK THE BEES

General Mills® Canada markets a variety of breakfast cereals, yoghurts, baking products and snacks from the Atlantic to the Pacific, under brands such as Cheerios®, Yoplait®, Pillsbury® and Betty Crocker®. The company's Honey Nut Cheerios cereal recently implemented a cause-related marketing programme to enlist the public's help in planting flowers to increase the bee population, which is threatened by weather and disease. 'We have a bee as our mascot and honey in our product, so we thought somebody should be championing this cause, and we thought that we could be a great spokesperson', explains the marketing director for General Mills® Canada. The societal objectives of 'bring back the bees' were: (1) to raise national awareness of the threats to bees: and (2) to encourage the planting of 35 million wildflowers – one for every person in Canada.

Working with an outside agency, General Mills® developed a plan for the three-month campaign. Its partner, Veseys Seeds, selected a mix of wildflower seeds that would grow into blossoms favoured by bees. The agency created an engaging website with videos and facts about the importance of bees and the threats they face. Canadian consumers who visited the site to request a free package of seeds were also entered into a contest to win a garden makeover featuring wildflowers. To promote the cause and tie it to the product, General Mills® removed Buzz, its bee mascot, from one million boxes of Cheerio Honey Nut cereal during the campaign, leaving an empty outline as a reminder that bees are disappearing.

Thanks to social media buzz about Buzz's disappearance, and multimedia coverage of the cause, thousands of Canadian consumers quickly clicked to the website. All the free seed packets were gone within a few weeks. Having achieved its societal objectives, General Mills® decided to build on the awareness and positive response by giving away more than 115 million seed packages. The cereal company demonstrated its social responsibility, the bees got more flowers, Canadian consumers enjoyed free wildflowers and the seed partner had its brand featured on cereal boxes and the 'Bring back the bees' site. Just as important, thousands of people who requested free seeds also ticked a box to receive a free catalogue from Veseys.[16]

Marketing plan analysis:

What kinds of objectives would Veseys set for participating in this cause-related marketing initiative with General Mills® Canada, and why?

To communicate their societal objectives, activities and results to stakeholders, companies including Danone® and Unilever® distribute information to the media and post social responsibility and sustainability reports on their websites. Table 5.4 lists some online sources for more information about these issues.

Characteristics of effective objectives

To be effective, your marketing plan objectives should be:

- *Relevant*. Be sure your objectives relate to the chosen direction and higher-level strategies and goals. Otherwise, the programmes you implement to achieve your plan's objectives will not support organisational needs. Although most businesses set objectives for revenues and profits, non-financial objectives such as those relating to corporate image are also important because they build and strengthen connections with other stakeholders.
- *Specific and measurable*. Vague targets will not help you determine what you need to accomplish and how. Simply calling for 'growth' is not enough. To be effective, your objectives should indicate, in quantitative terms, what the marketing plan is being developed to achieve.
- *Time-defined*. What is the deadline for achieving the objective? You will plan differently for objectives that must be achieved in six months compared with objectives to be achieved in 12 months. Setting an open-ended objective is like setting no objective at all, because you will lack a schedule for showing results – and it will not be accountable.
- *Realistic*. A marketing plan geared to attaining market dominance in six months is unlikely to be realistic for any business, especially for a start-up. Thus, your marketing plan objectives should be realistic to provide purpose for marketing and to keep organisational members motivated. Also be sure your objectives make sense in the context of realistic opportunities and threats.

Table 5.4 Online sources of information about sustainability and social responsibility

Website	Focus
Gov.uk Waste and Environmental Impact (www.gov.uk/browse/business/waste-environment)	Guide to business planning for future sustainability and social responsibility actions
World Bank ecological data (http://data.worldbank.org/topic/environment)	Statistics showing the effect of ecological trends and natural resources in different regions
CSR Europe (www.csreurope.org)	Online business network for sharing social responsibility and sustainability objectives, practices and successes
ENDS Europe (www.endseurope.com)	News about the latest developments in environmental issues and resource conservation for businesses
EU Ecolabel (http://ec.europa.eu/environment/ecolabel/index_en.htm)	Voluntary labelling programme that identifies goods and services meeting standards for environmental excellence
Fairtrade® Foundation (www.fairtrade.org.uk)	Find out more about the non-profit organisation that licenses the Fairtrade® mark in the UK
Third Sector (www.thirdsector.co.uk)	Publication covering charities, social enterprise and voluntary organisations
Wrap (www.wrap.org.uk)	Ideas and case studies showing how to reduce business's ecological impact by cutting waste and conserving natural resources
European Commission Environment Directorate-General (http://ec.europa.eu/environment/index_en.htm)	Information about policies, issues, grant guidelines and economic development with the environment in mind

- *Challenging*. Realistic objectives need not be easy to attain. In fact, many marketers set aggressive yet realistic marketing plan objectives so they can expand more quickly than if their objectives resulted in incremental growth. Objectives that are too challenging, however, may discourage the marketing staff and tie up resources without achieving the desired result.
- *Consistent*. Is the objective consistent with the organisation's mission, goals, strengths, core competencies and interpretation of external opportunities and threats? Are all objectives consistent with each other? Inconsistent objectives can confuse staff members and customers, detract from the marketing effort and result in disappointing performance.

With growth as the direction, the marketing plans of Hyundai® (http://worldwide.hyundai.com) include a variety of marketing, financial and societal objectives to help it compete more effectively with car manufacturers from Asia, Europe and the Americas.

MARKETING IN PRACTICE
HYUNDAI®

Based in South Korea, Hyundai® creates market-by-market and product-by-product marketing plans to sell vehicles in dozens of countries. The car manufacturer sells 5 million vehicles each year, led by the popular Avante, Accent, Tucson and Sonata models. Evolving from a marketer of low-priced, basic vehicles, Hyundai® now differentiates itself on the basis of style and quality, including higher-priced luxury models such as the Genesis range.

Hyundai® coordinates the financial objectives in every marketing plan with business-level objectives and long-term corporate goals. It also balances its financial objectives (such as for higher sales and profits) with marketing objectives (such as associating the brand with innovation and technology, boosting market share and introducing new vehicles) and with societal objectives (such as to eliminate harmful vehicle emissions and to support ecological balance). For example, Hyundai® wants to be the world's second-largest marketer of eco-friendly vehicles, so it set objectives for introducing 22 green cars, including hybrid vehicles, all-electric vehicles and two hydrogen fuel cell vehicles. Its Ioniq car is available as an all-electric, a hybrid or hybrid plug-in, offering choices within the brand range to customers who value sustainability and fuel efficiency.

Hyundai's exact marketing-mix choices depend on the objectives set for each market, product and time period, as well as the competitive situation. In the US, for example, where Hyundai® continues to boost market share, the brand is a major sponsor of sporting events and uses traditional and social media to reach fans who are car buyers or who influence buying decisions. In China, where the firm competes with local car manufacturers, as well as international giants such as Volkswagen and General Motors, Hyundai® is ready to change its pricing to hold onto market share. It is also ready to alter its product plans as more Chinese consumers buy SUVs rather than cars.[17]

Marketing plan analysis:

Does Hyundai's development of Ioniq with three different 'green' engines represent market penetration, product development, market development or diversification? Explain.

Use Essential Checklist No. 9 to evaluate your objectives.[18]

ESSENTIAL CHECKLIST NO. 9
EVALUATING OBJECTIVES

You must set appropriate financial, marketing and societal objectives for your organisation's chosen direction, higher-level goals and current situation.

- ☐ How is each objective relevant to the organisation's direction and long-term goals?
- ☐ How is each objective consistent with the organisation's mission, strengths, core competencies and competitive priorities?

- ☐ How is each objective appropriate for the market's opportunities and threats?
- ☐ Is each objective specific, time-defined and measurable, so that metrics can be applied to evaluate the results?
- ☐ Is the objective realistic yet challenging to encourage extra effort?
- ☐ Does the objective conflict with any other objective or with the chosen direction?
- ☐ Will achieving this objective make a difference to the success of the strategy?

From objectives to marketing-mix decisions

This is the conclusion of Stage 4 of the marketing planning process. Up to this point, you have conducted situational analyses, analysed markets and customers, applied segmentation, determined targeting and positioning and established your direction and objectives. As shown in Figure 5.2, the three types of objectives guiding your marketing plan are formulated in the context of mission, strategy and direction. These interconnected objectives are the targets to be achieved by the marketing-mix decisions you will make next, during Stage 5 of the process.

Now you are ready to begin creating strategies and campaigns. Be aware that designing programmes to achieve some of your objectives may require additional marketing research support. Also note that your objectives will guide the development of customer service and internal marketing strategies to improve internal understanding of the plan and to support your marketing mix. **Chapters 6, 7, 8, 9 and 10** discuss planning for the marketing mix; **Chapter 11** covers customer service and internal marketing. These are all part of Stage 5 in the marketing planning process.

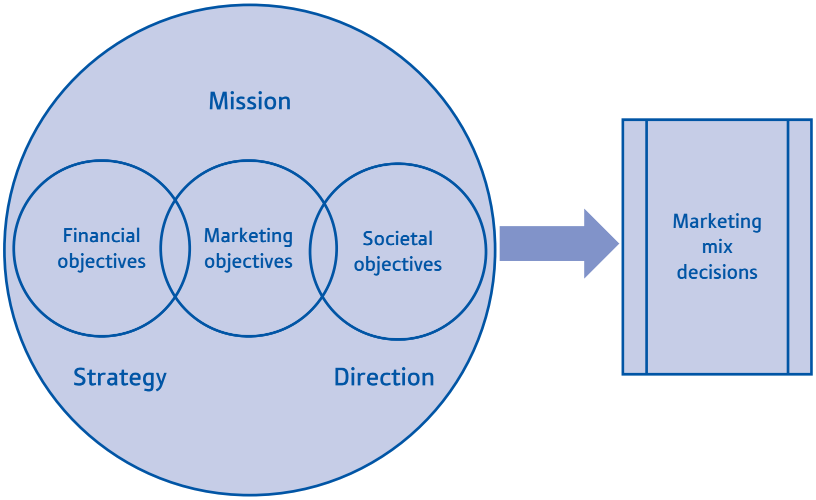


Figure 5.2 From objectives to marketing mix decisions

CHAPTER SUMMARY

Higher-level strategies and goals set the direction for the marketing plan. Many organisations prepare marketing plans for growth through market penetration (offering existing products to existing markets), product development (offering new products or variations to existing markets), market development (offering existing products to new markets or segments) or diversification (offering new products to new markets or segments). Non-growth strategies include maintenance (to sustain current levels of revenues, share or profits) and retrenchment (to prepare for a turnaround into growth or to close down entirely).

Financial objectives are targets for financial results such as profitability through marketing strategies and programmes. Marketing objectives are targets for marketing relationships and activities. Societal objectives are targets for ecological protection or other areas of social responsibility. Effective objectives must be relevant, specific, time-defined, measurable, realistic yet challenging and consistent with the current situation. Marketers also need to identify metrics for measuring progress towards the objectives they set.

A CLOSER LOOK

MARKETING AT LEGO® GROUP

Early in the 21st century, LEGO® was in trouble. Video games and Internet sites were increasingly popular among children, complicating the Danish firm's decisions about how to develop and position traditional snap-together building blocks for children. After investing heavily to create and distribute a lot of new toys, and seeing too many left unsold, LEGO® was losing money. To stabilise the business as a foundation for renewed growth, top executives set financial objectives for cost-cutting and marketing objectives for managing product development and other internal processes.

Next, they set marketing objectives for the vital internal activity of conducting detailed marketing research. LEGO® marketers had to understand what children actually prefer when playing with building toys, and how parents get involved in the play experience. After months of in-depth ethnographic studies worldwide, LEGO's marketers had the answers they needed to create new products. Now they formulated clear marketing objectives for highlighting brand image and preference, stimulating new product trial and attracting new customers. Among their financial objectives were higher targets for unit and monetary sales by product and by market, targets for revenue increases and targets for achieving break-even and profitability.

The new LEGO® products were extremely successful, restoring the company's financial strength. Soon, product introductions linked to hit movies like *Star Wars* and products developed for specific markets – such as LEGO® Friends for girls – were leading LEGO® to year after year of higher market share, higher revenues and higher brand preference. Traditional brick sets continue to be favourites, even as the firm launches new products with digital features. LEGO® has also expanded into fast-growing markets such as China, where it has a production and distribution centre to meet local demand for its toys. Global demand is so high, in fact, that LEGO occasionally struggles to produce sufficient quantities of popular toys during holiday periods. LEGO's marketers still hold weekly research sessions with children, alert for new opportunities they can address in future marketing plans.[19]

Questions

1. What are the implications for LEGO's objectives when the company has difficulty in meeting demand for popular toys during peak periods?
2. How can LEGO maintain an appropriate balance between its ambitious and costly sustainability targets and its objectives for higher financial and marketing performance?

APPLY YOUR KNOWLEDGE

Research the direction, marketing, financial and societal objectives of a particular company by examining its website, media coverage, products, advertising, packaging, financial disclosures, social responsibility reports and other aspects of its operation. Based on your findings, write a brief report or make a brief oral presentation to the class.

- Is the company pursuing a growth, maintenance or retrenchment strategy? How do you know?
- Does the company disclose any specific objectives? If so, what are they and how do they relate to the company's direction?
- Identify one specific marketing, financial or societal objective that this company has set and compare it to the characteristics in this chapter's checklist. What changes would you recommend to make this objective more effective as a target for performance?
- Look for clues about whether the objective you have identified was actually achieved (and if not, why). What metrics would you use to measure progress towards this objective if you were implementing the plan?

BUILD YOUR OWN MARKETING PLAN

Continue working on your marketing plan. Examining the organisation's current situation, environment, markets, customers and mission statement, what is an appropriate direction for your marketing plan? What marketing, financial and societal objectives will you set to move in the chosen direction? In the event that any of these objectives conflict, which should take priority, and why? How will these objectives guide your planning for the marketing mix and marketing support? What might cause you to rethink your objectives or change the schedule for achieving them? Will you be able to measure your results to determine whether the objectives have been achieved? Take a moment to consider how the direction and objectives fit with the information that is already in your marketing plan and how practical they are in terms of marketing implementation. Then record your thoughts in your marketing plan.

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6

Planning for products and brands

Learning outcomes

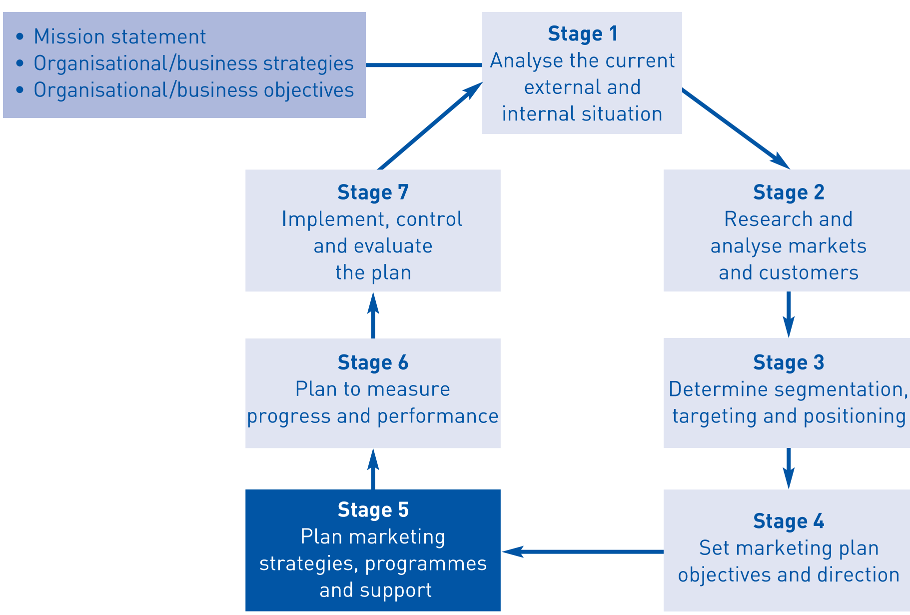
After studying this chapter, you will be able to:

- Explain how the product mix, product life cycle and new products affect planning.
- Discuss how product attributes provide value for customers.
- Define brand equity and understand how to enhance it.

Application outcomes

After studying this chapter, you will be able to:

- Analyse a product's position in the product mix and the life cycle.
- Make planning decisions about products.
- Make planning decisions about brands.



CHAPTER PREVIEW

MARKETING AT RECKITT BENCKISER®

Reckitt Benckiser® (www.rb.com) sees purpose and profit in banishing dirt and germs. The UK-based global consumer goods company (known as RB) has a decades-long heritage of specialising in products for health, hygiene and home. The inspiration for its marketing is the vision of 'a world where people are healthier and live better'. Despite economic uncertainty and strong competition from multinational giants, RB's marketing plans have helped the firm to grow to £9 billion in annual turnover, redefine its focus and reinforce brand loyalty for future growth.

RB's marketing plans put particular emphasis on such best-selling products as Lysol® disinfectant, Dettol® hand wash, French's food condiments, Vanish® laundry soap and Strepsils® lozenges, seeking to leverage high brand awareness and brand preference to support company growth. Within five years, the firm expects emerging markets in Latin America, Asia and Africa to account for half of the company's annual turnover. The plans also reflect the company's long-term commitments to sustainability targets such as slashing its products' carbon footprint and to supporting charitable groups such as Save the Children through contributions and partnership programmes. Increasingly, RB's marketing plans rely on campaigns that complement messages in traditional media (like TV and magazines) with content in social media (Facebook®, Twitter, YouTube®) to encourage dialogue about topics that matter – health, hygiene and home.[1]

Reckitt Benckiser® is profiting from its careful product and brand planning, part of Stage 5 in the marketing planning process. This chapter opens with a discussion of product mix, product lines and the product life cycle, followed by an examination of new product development. Next, you'll learn how to use different attributes in devising a tangible good or an intangible service that will meet your customers' needs, your organisational targets and the marketplace realities. The final section looks at how to plan for brands and brand equity. See the checklists in this chapter for questions to ask when planning for products and branding.

Planning for products

At this point in the planning process, you understand your current situation and what each product represents in financial and marketing terms. You've also set your objectives and examined the internal and external factors that can affect the organisation's ability to reach those objectives. Now you're ready to plan the marketing mix, starting with your product.

A product may be a physical item (such as food), a service (such as vehicle repairs), a combination of tangible and intangible elements (such as a restaurant), an idea (such as better health), a person (such as the singer Adele) or a place (such as Disney World). Some companies, including those marketing digital games, market a **virtual product**, a product that exists only in electronic form as a digital representation of something. King Digital Entertainment, which markets *Candy Crush®* and other popular mobile games, has acquired many loyal in-app purchasers of virtual products that help players to progress within its games.

For any product you market or plan to market, look closely at:

- the customer segment being targeted;
- the needs satisfied and value provided;
- trends in pricing, unit sales, market share, revenues and profits;
- age and performance over time, by segment, channel and geography;
- sales connections between products;
- current or potential opportunities and threats related to each product;
- competitive strengths, weaknesses and position;
- customers' perceptions of competing products.

Use your analysis to determine how each product provides value to customers and to your organisation, just as Reckitt Benckiser® does with its products. As a visual summary, you can create a grid matching each product to the intended target market, also indicating the value delivered to the customer and the organisation (see Table 6.1). In addition, you may want to include information about each product's competitive position and strength – with the understanding that competitive circumstances can change at any time, given the volatility of today's marketplace.

Some companies are starting to produce new goods and services through *co-creation*, working closely with customers to develop innovative products; others are using **crowdsourcing** to generate new product ideas or marketing content from concepts, designs, content or advice submitted by customers and others outside the organisation. Nestlé Australia has used crowdsourcing to obtain new packaging and communications ideas for its Lifesavers products, for example.[2]

After analysing your products, you'll make decisions about managing: (1) the product mix and product lines; (2) product attributes including quality and performance, features and benefits, design, packaging and labelling and branding; (3) the product life cycle; and (4) new product development. Table 6.2 shows these four categories of product-planning decisions.

Table 6.1 Product/segment analysis grid

	Customer segment A (briefly describe)	**Customer segment B (briefly describe)**
Product 1 (identify)	Customer need Value to customer Value to organisation Competitive situation	Customer need Value to customer Value to organisation Competitive situation
Product 2 (identify)	Customer need Value to customer Value to organisation Competitive situation	Customer need Value to customer Value to organisation Competitive situation

Table 6.2 Product-planning decisions

Product mix and product lines	Product attributes
• Change product line length or depth • Change product mix width • Consider cannibalisation effect • Consider limited-time and limited-edition products	• Plan level of quality and performance • Provide valued benefits through features • Design for functionality and differentiation • Create packaging and labelling • Build brand equity
Product life cycle	**New product development**
• Locate product in cycle by segment and market • Change progression through life cycle • Balance life cycles of multiple products	• Add new product categories • Expand existing lines or brands • Manage steps in process • Address sustainability and ethical concerns

Product-mix and product-line decisions

When you manage the **product mix**, you're determining the assortment of product lines offered by your organisation. **Product line width** is the number of product lines marketed by the organisation. **Product line length** is the number of individual items in each line (or range) of related products. **Product line depth** refers to the number of variants within one line. Table 6.3 shows part of Reckitt Benckiser's® product mix, including product lines in three broad categories and multiple product lines within each category. The company's product lines each include multiple variants. For example, Vanish® cleaning products are available in many forms, packages and sizes, reflecting depth.

Your marketing plan can cover one or more of the following activities:

- introducing new products in an existing line under the existing brand name (**line extensions** that lengthen the line);
- introducing variations of existing products in a product line (deepening the line);
- introducing new brand names in an existing product line or category (**multi-brand strategy**);
- introducing new products under an existing brand (**brand extensions** that widen the mix);
- introducing new lines in other product categories (**category extensions** that widen the mix);

Table 6.3 Selected lines and brands in Reckitt Benckiser's product mix

product line width

product line length

Product category: Home	Product category: Health	Product category: Hygiene
• Vanish® (depth: variants include powders, soaps, liquids, pre-treaters, carpet cleaners) • Woolite® (in all variants) • Air Wick® (in all variants) • Calgon® (in all variants)	• Scholl® (depth: variants include foot care creams, nail care products, arch supports) • Nurofen® (in all variants) • Strepsils® (in all variants) • Mucinex® (in all variants)	• Dettol® (depth: variants include disinfectant sprays, laundry cleaners, hand soaps) • Lysol® (in all variants) • Clearasil® (in all variants) • Harpic® (in all variants)

- eliminating a product (shortening the line);
- eliminating or adding a product line (narrowing or widening the mix).

Each decision about the product changes the way you satisfy customers, address opportunities, avert threats, allocate marketing resources and achieve marketing objectives. Adding new products by extending an established line or brand can minimise the risk that customers and channel partners may perceive in trying something new. Because of this familiarity, the new product's introductory campaign is likely to be more efficient. Your development costs may also be lower if you base a new product on an existing product.

Extensions that are well received will reinforce the brand, capture new customers and accommodate customers' variety seeking behaviour. Extensions are not without risk, however. If you extend a line or brand, customers or channel members may become confused about the products you offer. Also, channel members with limited shelf or storage space may be reluctant to carry additional products. If the product doesn't succeed, it might damage perceptions of the brand or other products in the line.

Cannibalisation

When extending a line or creating a new product or brand, think about the possibility of **cannibalisation**, which can occur when one of your products takes sales from another of your products. A lower-priced line extension may attract customers who previously purchased your higher-priced products, for example, which would affect your revenues. Many marketers try to minimise cannibalisation, although some, including Apple®, believe it's better to cannibalise their own products than risk having competitors lure customers away. At Apple®, 'each [product's] job is to compete with the other ones', explains the head of marketing.[3] Traditional, full-service airlines such as Lufthansa® (www.lufthansa.com) think carefully about cannibalisation when planning products to compete with no-frills budget airlines.

MARKETING IN PRACTICE
COMPETITION AND CANNIBALISATION

With the increasing popularity of Ryanair, easyJet® and other budget airlines, some competitors are rethinking their competitive plans and widening the product mix, despite the risk of cannibalisation. Lufthansa®, based in Germany, has created low-cost brands such as Eurowings® to compete by attracting consumers and business travellers who are price-conscious. Widening the product mix with a multi-brand strategy protects the parent's legacy, full-service product line and brand image while offering differentiated products to targeted customer segments, such as price-conscious passengers.

The Lufthansa and Eurowings® product offerings don't have identical attributes, differing in terms of on-board meals, flight destinations and rewards programmes for frequent flyers. Even if Eurowings® cannibalises some of Lufthansa's higher-fare customers, the company will be retaining customers rather than losing them to competing airlines. And as the parent's low-cost airlines build market share, Lufthansa will profit from some economies of scale, which will improve its profitability over time.

Other airlines, including Scandinavian Airlines (SAS®), are choosing to adjust their products rather than adding new brands to compete with no-frills, low-margin airlines. The CEO of SAS® states: 'If you want to jump into this game, you have to have a proposition that's above all else really competitive on cost'. SAS® has cut costs to lower its prices, but that's just the beginning. The airline is changing its product by adding new routes for consumers and business travellers who are interested in particular destinations. 'We look for routes with enough demand for travel directly between that destination and Scandinavia', the CEO says.[4]

Marketing plan analysis:

What are the advantages and disadvantages of Lufthansa's decision to widen the product mix with a low-cost airline brand like Eurowings®?

Limited-time and limited-edition products

Some marketers create goods or services that are marketed only during a specific period – *limited-time products* that showcase seasonal ingredients or leverage advantageous timing in another way. McDonald's is known for adding unusual or seasonal ingredients to limited-time menu items in different areas. In Japan, for example, it has added a special cheese made only in Hokkaido to create a limited-time burger sandwich; it has also drizzled chocolate over fries for a limited-time offering.[5]

Limited-edition products are produced just once, often in small quantities, to draw attention to a brand or to commemorate a particular event. Ferrari® marked the 20th anniversary of selling its high-end sports cars in China by producing only 20 special 'Year of the Dragon' cars, priced at over €400,000 – and buyers moved quickly to reserve one before they were gone.[6] Limited-time and limited-edition products get customers buzzing because they are out of the ordinary, in short supply, and suggest both urgency and exclusivity. Word of mouth about these types of products can spread quickly through social media, further increasing demand and adding to the feeling of excitement customers may experience when they are able to make this purchase.

Product life-cycle decisions

As you plan, you must make decisions about how to manage the **product life cycle**, a product's movement through the market as it passes from introduction to growth, maturity and eventual decline. Although no individual product's life cycle is entirely predictable or even necessarily sequential, the typical life cycle pictured in Figure 6.1 shows how sales and profitability can change in each part of the cycle. Corporate giants such as Unilever® and Reckitt Benckiser® tend to have numerous products in targeted markets at one time; each could very well be in a different part of its life cycle.

Analysing a product's life-cycle situation and using marketing activities to manage the cycle can help you plan to take advantage of anticipated ups and downs. Where is the

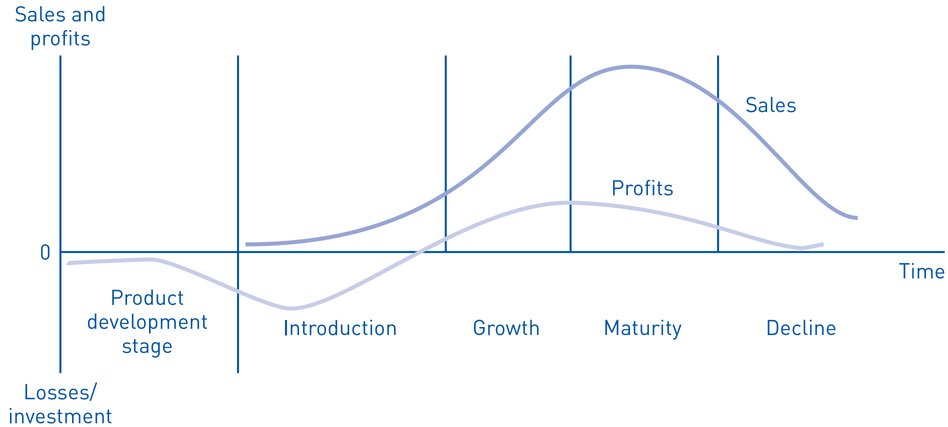


Figure 6.1 Product life cycle

Source: From *Marketing: An Introduction,* 11th Edn., Pearson Education (Armstrong, G. and Kotler, P., 2012) Figure 6.1, p. 242. Reproduced with permission from Pearson Education Ltd.

product within its life cycle, how quickly is it progressing through each part of the cycle, and what can you consider doing to alter the cycle or to get the most out of each part? As Figure 6.1 suggests, profitability is highest during the growth part of the life cycle and tends to decrease with maturity. This is why many companies plan strategies to extend and reinvigorate products in the growth and maturity stages.

Some products are reaching maturity much faster, compressing their life cycle and complicating the marketing challenges. In a fast-moving market like smartphones, products tend to speed through growth and become mature very quickly – sometimes in a matter of months or a year. That's why Samsung®, Apple® and other competitors plan a constant stream of new models and upgraded models to keep products fresh throughout the life cycle.

New product development decisions

Having discovered promising opportunities during earlier stages of the planning process and analysed the life cycle of current products, you may decide to change your product mix by developing new products for targeted customer segments. The most successful new product innovations stem from identifying needs and solutions, based on careful marketing research. Some products may open up new categories for your organisation; other products may extend existing lines or brands. Either way, product development details are usually shown in an appendix or separate document, not in the main marketing plan. However, your plan should outline the major decisions, include research or other evidence, highlight key actions and outline the product development schedule.

Here's an overview of the new product development process:

1 *Generate ideas,* based on overall goals and objectives, from inside the organisation and from customers, sales representatives, channel partners, suppliers, competitive materials and other sources.

2 *Screen ideas* to eliminate those that are inappropriate or not feasible, given the organisation's strengths, core competencies and resources. The rate of new product failure is so high that you must carefully screen ideas to avoid investing in unpromising or unneeded products.
3 *Develop and test product concepts* to find out whether customers (and perhaps opinion leaders and influential channel members) perceive value in the remaining ideas and respond positively to them. The point is not just to innovate but to differentiate your products from those of competitors.
4 *Develop the marketing strategy* to clarify targeting, positioning and specific marketing plan objectives for the new product. Also outline the proposed marketing mix and project sales and profits.
5 *Analyse the business case* for introducing each new product, including associated costs, sales and profits, to gauge the contribution towards achieving organisational objectives such as profitability. On occasion, a particular new product idea may not be profitable on its own, but may be valuable to the organisation for other reasons. One product may lead to the purchase of other products (the way printers lead to the purchase of ink cartridges), or a product may demonstrate the firm's commitment to going green.
6 *Develop the product* to see whether the concept is practical and cost effective and meets customers' needs and expectations. Sometimes this step means reinventing the way a firm has always produced and marketed its goods or services.
7 *Test market the product,* with associated marketing strategies, to assess the likelihood of market acceptance and success. Try different marketing activities, evaluate customer response, anticipate competitors' reactions and adjust the product and marketing as needed.
8 *Launch the product commercially,* applying the lessons learned from test marketing and from previous product introductions.

After commercialisation, you should plan to monitor market response, including the reactions of customers, channel members and competitors. If the product is not selling as well as projected, consider changing the product or other elements of the marketing mix. Also be sure you can meet demand on schedule and at the projected price, to avoid disappointing customers. Consider the experience of Tesla Motors®, known for its stylish, high-tech, all-electric cars (www.teslamotors.com).

MARKETING IN PRACTICE
TESLA MOTORS®

Based in California's Silicon Valley, Tesla Motors® aims to revolutionise the automotive industry through a combination of innovative product technology and sleek vehicle design. Tesla is investing heavily in new product development with the goal of marketing all-electric vehicles as practical alternatives to traditional petrol-engine vehicles. Its first two vehicles, the Model S and the Model X, were premium-priced vehicles that quickly became status symbols for affluent consumers interested in distinctive design, luxury features, superior performance and sustainability.

Tesla's Model 3 was in development for years, planned as a more affordable, earth-friendly vehicle that is both powerful and spacious. The firm analysed buyers' needs and then tested and refined a high-speed recharging system, various self-driving features, new touch-screen controls and other details. It extended the Model 3's range so that drivers can feel confident about driving longer distances, and it expanded its network of high-speed recharging stations. Tesla also increased its channel coverage to make product availability more convenient as it competes with all-electric vehicles such as the General Motors Chevy Bolt and the Nissan Leaf®. Soon, the company will open its own factory to supply sufficient quantities of batteries to support an ambitious long-term goal of marketing 500,000 vehicles annually.

Once prototypes of the Model 3 were ready, Tesla announced the new product and began accepting pre-orders. Within three days, Tesla received 276,000 pre-orders, each accompanied by a deposit of £1,000 to be applied against a purchase price of about £24,400. Before the Model 3, Tesla had been delivering fewer than 51,000 vehicles per year. Now, having accepted a deluge of deposits, the company faced yet another challenge in the process of launching the Model 3: increasing production in time to meet record-high demand.[7]

Marketing plan analysis:

Although Tesla's first two products were intended for affluent buyers, the Model 3 aims for a broader market. What are the implications for Tesla's marketing plan to introduce its newest vehicle?

Don't forget to examine product sustainability and ethical issues, which are increasingly important to consumers and business buyers. Can eco-friendly supplies and processes be incorporated? Will the product's factories, or use, adversely affect the natural environment? How will the new product serve your organisation's societal objectives? What ethical questions might arise (such as whether to test products on animals) and how can you address these in a satisfactory way? Consider whether your product would have a competitive advantage or disadvantage with regard to sustainability and ethical considerations.

Product attribute decisions

Whether you're developing new products or improving existing ones, you'll seek the optimal combination of quality and performance, features and benefits, design, packaging and labelling (see Table 6.4). You'll also face important decisions about branding, as discussed later in this chapter. You want your product to be competitively distinctive, attractive and valuable to customers while returning profits to the organisation. Be sure your product is competitively superior on features and benefits valued by customers; also check that the product is consistent with your marketing plan objectives.

Quality and performance decisions

Quality means different things to different people; this is why you should define a product's quality in terms of how well it satisfies the needs of your customers. From this perspective,

Table 6.4 Planning product attributes

	Product 1	Product 2
Quality (customers' view) and **performance** (objective measures)		
Features and **benefits** (to satisfy customer needs and for competitive strategy)		
Design (for performance and differentiation)		
Packaging (for protection, storage and ease of use) and **labelling** (for information and marketing communication)		
Brand (to identify, differentiate and provoke response)		

a high-quality product is one that satisfies needs better than a poor-quality product. You can certainly use objective performance measures to demonstrate a product's functionality, reliability, sturdiness and lack of defects. Quality counts in services as much as it does in tangible products, although the measures may differ from service to service.

Customers are the final judges of quality and decide for themselves what level of quality they want and will pay for – a decision that can change depending on customers' economic situations and other factors. Tesco® and other retailers have profited by offering their own branded products, ranging from basic 'value' quality at affordable prices to 'finest' quality at higher prices.[8] B2B marketers are concerned with quality and performance as well. Rolls-Royce® competes for commercial orders by marketing hybrid marine propulsion systems for tugs and other vessels. These products are designed to satisfy buyers' performance specifications while reducing emissions for sustainability. Before you introduce or begin developing a new product, confirm that the entire organisation is capable of consistently delivering the expected quality, given the available resources and schedule. This, too, is part of the marketing planning process.

Feature and benefit decisions

Customers buy a product not only for the **features** – specific attributes that contribute to functionality – but also for the **benefits** – the need-satisfaction outcomes they want or expect. To illustrate, Samsung's® customers want mobiles to satisfy their communication needs with features for calling, texting, social media and Internet access, all of which provide the benefit of sharing information. Specific Samsung® models offer additional features that deliver benefits valued by customers, such as large screen size or light weight. When evaluating competing products, customers look at whether each model has the features that provide the benefits they value. In practice, you should plan for features that deliver the benefits that you know your customers value (based on marketing research).

Not all customers want or are willing to pay for the benefits provided by a particular product's features. An excessive number of features can make a product too complex or too expensive for the targeted audience.[9] Different segments often have different needs and different perceptions of the value of features and benefits. Table 6.5 shows, in simplified form, how Groupe Michelin®, the French tyre maker, might match features to benefits that satisfy the

Table 6.5 Matching features and benefits to needs

Customer segment and need	Feature and benefit
Lorry fleet owners who need to monitor tyre pressure and track the location of all tyres	Sensor patch on each tyre electronically transmits pressure and identification data to owners
Farmers who need to drive tractors over fields and in uneven terrain	Large, deep tyre patterns provide more secure road grip
Professional sports car drivers who seek winning performance	Special composition tyres for speed and handling
Airlines that require durable, cost-efficient tyres	Special composition tyres for longer wear and lower maintenance costs

needs of specific customer segments. You can see how Michelin® could offer value and differentiate its tyres from those of competitors such as Goodyear®. Creating a similar matrix® can help you pinpoint each segment's needs and identify features and benefits to satisfy those needs.

Design decisions

Directly or indirectly, customers' perceptions and buying choices are influenced to some degree by design. Moreover, your design decisions can affect the ecology as well as product performance. Therefore, as with all other product decisions, you should be sure that a product's design is consistent with your organisation's marketing, financial and societal objectives and that it fits with your other marketing-mix decisions. Ideally, design decisions should create a bridge to your future vision of how the product will benefit the target market and set it apart from those of rivals. The distinctive bonnet ornaments of Rolls-Royce® Motors and Jaguar® are design elements that convey the cars' branding and have become associated with status, for instance.

Product design has become such a prime point of differentiation, especially for mature products like household appliances, that everyday products need not look ordinary. In fact, the pressure of global competition has prompted many marketers to devote more time and resources to product design. Apple® has built its business on sleek and user-friendly design, revolutionising mobiles and tablet computers with stylish and practical products designed with the tiniest details in mind.

Packaging and labelling decisions

Good packaging protects tangible goods, makes their use or storage more convenient for customers and, ideally, serves societal objectives such as ecological protection. Think about how Walkers® crisps are packaged to remain fresh and crispy for weeks; the company also offers packaging variants for different customer needs and occasions, such as on-the-go snacks and bowl-packaging for sharing snacks.[10] When planning for any product sold in a store, be sure to consider how labelling can serve marketing functions. Labels are more than informative: they can capture the shopper's attention, describe how product features deliver benefits, differentiate the product from competing items and reinforce brand image.

Labels must also meet applicable laws and regulations wherever your products are sold. For example, only when the animals have been born and raised in the UK can meats be legally labelled as British. In Canada's Québec province, multilingual labels must include a French equivalent for every word, printed in type that is as big as or bigger than the type used for other languages. In the United States, supermarkets must label fruits, vegetables and meats to indicate the country of origin.

Use Checklist No. 10 as you proceed with planning product attributes, and be sure to consider brand planning, as discussed in the next section.

ESSENTIAL CHECKLIST NO. 10
PLANNING FOR PRODUCTS

Now that you've set specific objectives for your marketing plan, begin to think through your decisions about products for successful marketing or new product introductions.

- ☐ What is the current situation of each product within its line and the overall product mix?
- ☐ Would customers' needs and the organisation's interests be served by changing the product mix, product lines or line depth?
- ☐ Where is each product in its life cycle and what are the implications for product planning?
- ☐ What new products can be developed to take advantage of promising opportunities in targeted segments?
- ☐ How much cannibalisation might be expected from a new product introduction or line extension?
- ☐ Would a limited-edition or limited-time product be appropriate for the target market?
- ☐ What are the sustainability and ethical considerations associated with each product?
- ☐ How can you use quality and performance, features and benefits, design, packaging and labelling to provide value for customers and your organisation?

Planning for brands

Branding is a pivotal aspect of product planning because it provides identity and competitive differentiation to stimulate customer response. An unbranded product is just a commodity, indistinguishable from competing products except in terms of price. A branded product may have similar attributes to competitors' products yet be seen as distinctly different (and provoke a different customer response) because of the rational or emotional value the brand adds in satisfying the customer's needs and wants.[11]

In planning for a brand, you should identify ways to increase **brand equity**, the extra value customers perceive in a brand that ultimately builds long-term loyalty. Higher brand

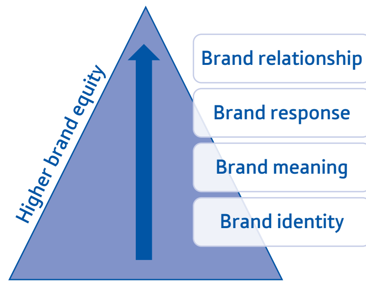


Figure 6.2 Stages of brand development

Source: After *A Framework for Marketing Management,* 6th Edn., Pearson Education (Philip Kotler and Kevin Lane Keller, 2016), Figure 8.3, p. 125.

equity contributes to sustained competitive advantage, attracts new channel partners and reinforces current channel relationships. As you build brand equity, you educate your customers to the nuances of brand meaning in your product category. You also enhance your marketing power and wring more productivity out of your marketing activities as customers: (1) become aware of your brand and its identity; (2) know what the brand stands for; (3) respond to it; and (4) want an ongoing relationship with it. The brand equity pyramid in Figure 6.2 illustrates how, at the lowest level, customers can identify your brand; at the peak, customers are strongly attached to the brand and want a relationship with it.[12]

Sometimes customers in the targeted segment will know the brand, understand what it stands for and respond to it – but not want the kind of ongoing relationship that the organisation would like. The ultimate purpose of brand planning is to move customers upwards through the levels of brand equity and encourage them to reach and remain at the top. With high brand equity, the most committed customers will be loyal and even act as advocates for the brand. This raises the customer's lifetime value to the organisation and helps to achieve your objectives. It's important to remember that companies benefit financially from brand equity, but the identity, meaning, response and relationships all derive from customer interaction with the brand.[13]

Brand identity

When marketing any offering, you must make customers in the targeted segment aware of your brand's identity. A brand can consist of words, numbers, symbols and/or graphics to add salience, such as the Nike® name combined with its swoosh symbol or the Nestlé name combined with the nesting bird logo. Plan for your brand using one or more of the approaches to naming shown in Table 6.6.

If a product doesn't perform as it should or if it attracts negative response for some other reason, the brand will suffer – a risk when you use the company name as the brand or you're participating in co-branding. When you specify co-branding in a marketing plan, look for a partner whose brand identity fits well with your brand identity and whose values are similar to your firm's values. Private brands (also known as *own-label brands*) are highly popular in Europe, but much less so in Asia. Why? Read on.

Table 6.6 Naming a brand

Approach to naming	Description	Example
Company brand (also known as manufacturer's brand or national brand)	The company name becomes the brand, thus associating the company image with the product	Virgin puts its name on all offerings
Family or umbrella brand	Each product in one or more lines or categories is identified as belonging to that particular brand family (or being under that brand umbrella)	Toyota® puts the Lexus name on its family of luxury vehicles
Individual brand	A product is identified with a brand not shared by other products	Belu® bottled water, with profits to Water Aid
Private brand (also known as *own-label brand*)	Retailers and other channel members frequently brand their own products for differentiation from manufacturers' branded products	Tesco® uses Finest as one of its private brands
Co-brand	Two or more companies put their brands on one or more goods or services	Barnes & Noble book store/Barclays® Bank co-branded credit card

MARKETING IN PRACTICE
PRIVATE BRANDS

Shoppers in Switzerland, more than any other nation, see great value in private brands. One-third of the money spent on consumer packaged goods in Switzerland goes to private brands. Consumers in Spain and the United Kingdom spend almost as much on private brands as their Swiss counterparts. Yet shoppers in China, Thailand and other Asian markets are more loyal to company brands, as are shoppers in the Middle East, Africa and Russia. One reason for these brand preferences has to do with consumer perceptions of company brands as being of higher quality. Also, private brands are still in their infancy in markets such as China. Building brand awareness, identity and meaning takes time, and private brands haven't been on store shelves in developing nations as long as company brands. However, as multinational retailers expand into such markets, bringing their extensive range of private brands, consumers will become familiar with these brands and experience their value.

Private brands are not necessarily marketed forever. Feeling competitive pressure from deep-discount retailer Aldi®, which offers many private brands, Woolworths® recently delisted its long-time Homebrand® private brand in Australia and New Zealand, concentrating instead on its other private brands. Widespread price promotions on company brands means that consumer purchases of private brands have remained at less than 14 per cent of all grocery spending in New Zealand for several years. If the price differences between company brands and private brands are small, many consumers will choose to pay a little more for the company brand.

Some marketers are planning for both private and company brands to increase their market share and turnover. Embaré, a Brazilian milk and confectionery firm, has long supplied milk caramels to US retailers who sell them under private brands. Now Embaré is introducing its own branded milk caramels in US department stores, with the goal of increasing its exports to a country where confectionery sales are strong. To avoid conflicts with its private brand customers, the company is selling only through US retailers that carry no other milk caramel products.[14]

Marketing plan analysis:

What challenges does Embaré face in communicating with US retailers and consumers about its brand identity and meaning?

Bringing customers to this first level of brand equity involves decisions about the brand itself, as well as other product attributes and marketing actions. For example, how can you use product packaging and labelling to convey a distinctive brand identity? Coca-Cola® uses an easily recognised red-and-white logo to set its colas apart from other soft drinks. You can also build customers' awareness of the brand through advertising, in-store promotions, websites and other marketing activities that reinforce the differentiation. Customers who are unaware of a brand will not think of it when purchasing, which is why organisations often set marketing objectives for awareness. Establishing a brand identity and making customers aware of it is a prelude to creating brand meaning.

Brand meaning

The second level of brand equity is to shape the associations that customers have with your brand. What do you want the brand to stand for? What image or personality does the brand have, and is it the same as what you want to create? These are especially important points to consider when planning brand extensions. The Dutch paint company AkzoNobel wants consumers in India to make an emotional connection with its Dulux® brand. It works with popular Bollywood stars Shraddha Kapoor and Farhan Akhtar as celebrity spokespeople and promotes the benefit of expressing individuality through the choice of paint colour for a room or home.[15]

As customers come to understand a brand's meaning, they rely on it as a shortcut when buying, which expedites the purchase process and reduces the perceived risk. You can shape brand meaning through competitive positioning and through favourable associations backed up by product performance, features that deliver value through need satisfaction, distinctive design and so on. As with brand identity, other marketing activities are involved as well.

Brand response

The third level of brand equity relates to customer response. Once customers are aware of the brand's identity and understand its meaning, they can make up their minds about the brand. Ideally, you want your customers to believe in your brand, trust it and perceive it as embodying positive qualities. You also want customers to see the brand as competitively superior and, just as important, have an emotional connection to it. Determining customer response requires marketing research, followed up by action steps either to reinforce positive responses, or to turn negative (or neutral) responses into positive ones through marketing activities.

Cancer Research UK®, for example, discovered that potential contributors viewed the charity as 'too clinical' and 'too scientific'. To encourage a more emotional response to the brand, the charity changed its marketing. Now its communications use a warmer tone and focus on the 'smart, brave, engaging and optimistic' scientists and contributors who support research into cancer treatment and prevention.[16]

Brand relationship

The fourth and highest level of brand equity deals with customers' relationship to the brand. They know about the brand, they know what it means to them and they know how they feel about it. But will they be loyal buyers? You want to encourage strong and enduring brand relationships because loyal customers tend to buy more, resist switching to competing brands and be willing to pay a premium for the brand and recommend it to others.[17] The issue is therefore how you can use your product plan, along with other marketing activities, to reinforce brand preference and loyalty.

One approach is to improve, or at least maintain, product quality and performance to avoid disappointing customers, tarnishing the brand and discouraging customer loyalty. Another is to add products or features that better satisfy current customers' needs. A third is to continue introducing innovative or upgraded product designs, packaging and labelling consistent with the brand image. Finally, your marketing plan should allow for research to gauge whether customers are moving up the brand equity pyramid towards sustained loyalty.

Rebranding

At times, an organisation may choose to **rebrand** an offering, which means changing an existing brand to a new brand. The goal may be to update or adjust the brand's marketplace image, to reflect new ownership or organisational priorities, to make the brand acceptable to international markets, for legal reasons or to reflect the market's view of the brand. Rebranding is rare, because of the potential risks (of eliminating a high-awareness brand, for example) and the investment needed to successfully establish the new brand's identity, meaning and awareness, as well as encouraging adoption and preference.

Careful rebranding can strengthen the brand and make marketing more efficient. Mac's® convenience stores across Canada were recently rebranded by Québec-based owner Alimentation Couche-Tard®, to unify all of the firm's convenience stores under the Circle K® brand. The company also rebranded its Kangaroo Express® stores as Circle K® after acquiring the 1,500-unit chain. The rebranding allows the corporate owner to put its marketing resources behind a single brand, which already has name recognition in some markets.[18]

Rebranding can help a company separate an existing brand from unfortunate associations. After the Zika virus made headlines around the world, India's Tata Motors® decided to rebrand its newly introduced Zica car, which had been named as an abbreviation of 'zippy car', one of the vehicle's attributes. However, because the Zica brand is pronounced in the same way as the name of the virus, Tata chose a new brand to avoid negative associations.[19]

Use Checklist No. 11 as you plan your brand decisions.

ESSENTIAL CHECKLIST NO. 11
PLANNING FOR BRANDS

Planning for brands must be carefully coordinated with planning for products. This checklist can help you think about branding decisions and supporting product marketing.

- ☐ How is the brand identified, and what are the implications for its image?
- ☐ How is the brand positioned for competitive differentiation?
- ☐ How do product attributes support the brand image?
- ☐ Are customers aware of the brand? If so, what does it mean to them? How can brand awareness be expanded through marketing?
- ☐ What do customers think and feel about the brand?
- ☐ What relationship do customers have or want with the brand?
- ☐ How can brand preference and loyalty be encouraged through marketing?

Source: Adapted from, *Strategic Brand Management,* 2nd Edn. (Prentice Hall, Upper Saddle River, NJ (Kevin Lane Keller, 2003), Chapter 2.

CHAPTER SUMMARY

Planning for products includes decisions about the product mix (the assortment of product lines being offered), product line length (the number of items in each line) and product line depth (the number of product variations within a line). The product life cycle is a product's market movement as it progresses from introduction to growth, maturity and decline. In new product development, you will: (1) generate ideas; (2) screen ideas; (3) research customer reaction; (4) develop the marketing strategy; (5) analyse the business case; (6) develop the product to determine practicality; (7) test market the product; and (8) commercialise it.

Decisions must be made about product quality and performance, features and benefits, design, packaging and labelling, and branding. Quality means how well a product satisfies customer needs. Features are attributes that contribute to product functionality and deliver benefits. Design is especially important for differentiation. Packaging protects products and facilitates their use or storage. Labels provide information, attract attention, describe features and benefits, differentiate products and reinforce brand image. Branding identifies a product and differentiates it from competing products to stimulate customer response. Brand equity is the extra value customers perceive in a brand that builds long-term loyalty and boosts competitive advantage. Rebranding means changing an existing brand to a new brand.

A CLOSER LOOK

MARKETING AT RECKITT BENCKISER®

Reckitt Benckiser's® marketers look carefully at consumer behaviour and internal data when they make decisions about products and brands. In India, for example, where the company has objectives for increasing market share and turnover, marketers see great potential in adjusting product attributes for the large population of rural customers. Incomes are lower in rural areas, so RB's marketers downsized the packaging to make Dettol® soaps, Vanish® stain-remover and other products smaller and more affordable.

In the UK, when sales of the company's popular Finish® brand dishwasher detergent plateaued, its marketers decided to take a fresh look. They learned that most adverts for dishwasher tablets highlight the same benefit – gleamingly clean plates and glasses. Through ethnographic research, RB's marketers realised that the dishwasher and dishwashing detergent play pivotal household roles. Washing-up after everyday meals and special occasions, consumers view the dishwasher as an important solution to the problem of dirty dishes. So Reckitt's next marketing plan for Finish® focused on product quality and unique product features that keep the dishwasher functioning properly day in and day out to turn dirty dishes into clean dishes.

Brands can have different identities and meanings in different markets. Consider French's, the brand under which Reckitt Benckiser® markets condiments such as mustards, relishes and ketchups. In Canada, French's ketchup is a relative newcomer competing with well-known Heinz® and with President's Choice, a brand owned by the Loblaw's grocery chain. Until recently, French's made its ketchup from tomatoes grown in Ontario and bottled in Ohio. Then Heinz® stopped producing ketchup in Ontario, and Loblaw's delisted French's regular ketchup in favour of its own President's Choice ketchup.

A spontaneous, consumer-led viral campaign on social media urged Canadians to buy French's because it was made with Ontario-grown tomatoes – causing sales of French's ketchup to skyrocket. The public uproar also caused Loblaw's to reverse its decision and keep French's ketchup on store shelves. Thanks to associations with local sourcing and local jobs, French's is winning over more Canadian consumers and big commercial accounts such as A&W® restaurants in Canada.[20]

Questions

1. Referring to the brand equity pyramid in Figure 6.2, what happened to French's ketchup in Canada, and what should the company do to increase brand equity?
2. Where in the product life cycle are products such as Dettol® soaps and Finish® dishwasher detergent? What are the implications for the company's marketing plans?

APPLY YOUR KNOWLEDGE

Select an organisation offering a branded good or service with which you are familiar and research its product and brand. Summarise your findings in a brief oral presentation or written report.

- From a customer's perspective, how would you describe the product's quality and performance? Do you think this perception of value matches what the marketer intended?
- How do the features deliver benefits to satisfy needs of the targeted customer segments?
- How do design, packaging and labelling contribute to your reaction, as a customer, to this product?
- Where does this product appear to be in its life cycle? How do you know?
- How would you describe this product's brand?
- What is the organisation doing to build brand equity or to rebrand the existing product?
- Would a limited-time or limited-edition version of this product be appealing to the target market and potentially profitable for the marketer? Explain your answer.

BUILD YOUR OWN MARKETING PLAN

In the marketing plan you've been preparing, is your product a tangible good or an intangible service? What level of quality is appropriate (and affordable) to meet the needs of the targeted customer segments? What needs do customers satisfy through products such as yours and what features must your product have in order to deliver the expected or desired benefits? What can you do with design, packaging and labelling to add value and differentiate your product? What brand image do you want to project? How do you want customers to feel about the brand and react towards it? What can you do to encourage brand loyalty? Think about your answers in the context of your earlier ideas and decisions, then draft the product and brand sections of your marketing plan.

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7

Planning for pricing

Learning outcomes

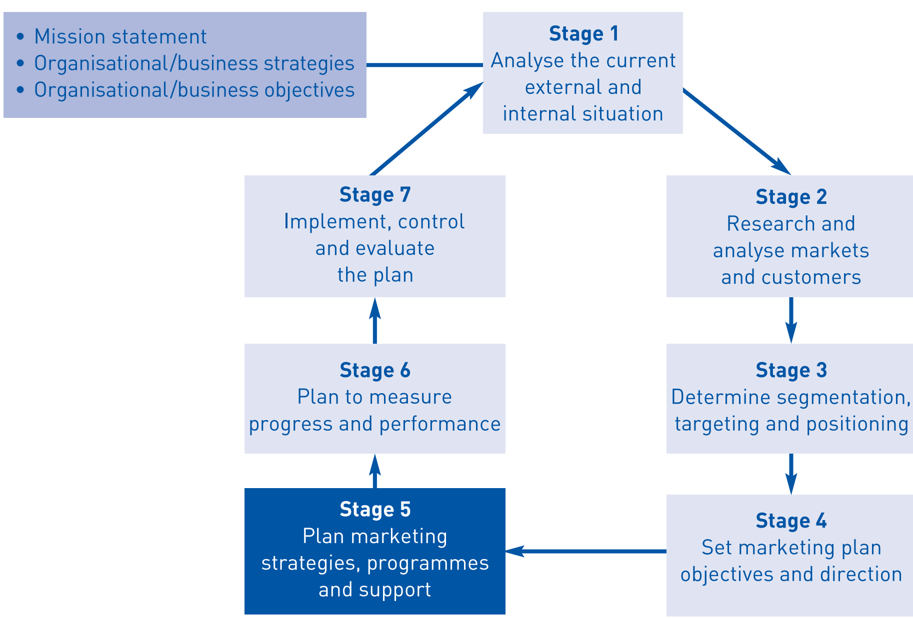
After studying this chapter, you will be able to:

- Explain how customers' perceptions of value affect price decisions.
- Identify internal and external influences on pricing.
- Understand how to price new products and adapt prices for existing products.

Application outcomes

After studying this chapter, you will be able to:

- Analyse the influences on your pricing decisions.
- Set appropriate pricing objectives.
- Make planning decisions about product pricing.



CHAPTER PREVIEW

MARKETING AT IKEA®

IKEA® (www.ikea.com) has a global reputation for marketing affordable and fashionable home furnishings, packed flat for customers to assemble at home. Based in Sweden, the company operates 384 stores in 48 countries and has an annual turnover of €34 billion, including e-commerce sites that attract 2 billion visits per year. When designing a new product, IKEA's® marketers set a target price lower than those of rivals, then estimate costs and plan features and specifications appropriate for the chosen target price.

Consider the Fagrik coffee cup, originally developed to sell at less than €1. After the Fagrik made its debut, IKEA's® designers reworked the shape to fit more cups onto a single shipping pallet, and later reworked the shape a second time. They have done the same with the Textur lamp and the Bjursta table, making minor changes to fit the products into smaller packages. With each iteration, the retailer reduced its transportation costs enough to cut prices without sacrificing quality. IKEA® repeats this process over and over as it examines every product to streamline production, sourcing, transportation and other elements that contribute to costs. Then it passes the savings along to customers in the form of lower prices.[1]

IKEA's® marketers recognise that although they spend money on other marketing-mix elements (paying for product development and packaging, to give two examples), pricing is the way they make money for the company. They also know that customers actually determine how much value they perceive in a product. Therefore, this chapter begins with a discussion of how customers perceive value and the difference between cost-based and value-based pricing. Then you'll learn what influences pricing decisions and how to set pricing objectives, price new products, price multiple products and adapt prices if needed. This chapter's checklist discusses pricing during the product lifecycle. The Appendix shows how a company would document pricing strategies in a marketing plan.

Understanding price and value

Whether the price is one pound sterling, one euro or one bag of rice, customers will buy only when they perceive value – when a product's perceived benefits in meeting their needs outweigh the perceived price. Even when the price is collected in barter, customers will not complete a transaction if they perceive insufficient value. No matter how good or bad the economic circumstances, no matter what type of product you market, no matter what segments you're targeting, you can't make planning decisions about price without looking at value from your customers' perspective.

Perceptions of value

A product's value is perceived by customers according to the total benefits they receive. An individual customer may consider one benefit more important than the others, but the combination of all benefits is what provides value. Customers form value perceptions in the context of competing or substitute products that might meet their needs, on the basis of benefits such as the following:

- *Performance*. Does the product perform as it should in meeting the customer's needs? Does it perform better than competing products?
- *Features*. Does the product have all the features expected or desired to meet current needs and future or unspoken needs? How do the features compare with those of competing products?
- *Quality*. Is the product defect-free, reliable and durable compared with competing products?
- *Personal benefits*. Does the product deliver personal benefits such as status or self-expression?
- *Availability*. Is the product available whenever needed? Does the price change according to availability? How does this compare with that of competing products?
- *Service*. Does the service meet customers' expectations? Is it faster, more convenient or more personalised than that offered by competitors?

Against the total perceived benefits, customers weigh the total perceived costs (time and money) of the product, including:

- *Initial purchase price*. What time and money must the customer spend to obtain the product initially? How does the purchase price compare with competing products?
- *Maintenance and repair costs*. What is the estimated cost of maintenance over the product's life? How often is maintenance or repair generally required, and how much time or money might the customer lose while waiting for repairs or maintenance?
- *Ongoing fees*. Does the product require an annual usage charge or other fees after the initial purchase? Must the customer pay a tax to continue using or possessing the product?
- *Installation*. Does the product require installation? What is the cost in time and money for installing this product compared with competing products?
- *Search and training*. How much time must customers invest in researching this type of product, arranging the purchase, waiting for delivery or service and receiving training in product use? How does the cost in time and money compare with competing products?
- *Ancillary products*. Does the product require the purchase of ancillary products and at what cost? How does this compare with competing products?
- *Financing*. If applicable, what is the cost of financing the purchase of this product, what is the monthly payment (if any) and how do such costs compare with those of competing products?

Perceptions of value definitely influence the customers' choice of buying or hiring. That's why marketers such as Chic by Choice® are highlighting the value of having the short-term use of expensive fashion outfits and accessories by hire, for a fraction of the purchase price.[2] Also remember that value applies to goods and services priced high as well as those priced low. Luxury marketer Louis Vuitton Moët Hennessey (www.lvmh.com) has prospered by emphasising brand image and high quality.

MARKETING IN PRACTICE
LVMH®

France's Louis Vuitton Moët Hennessey markets carefully crafted, top-quality products in such categories as clothing, luggage, wines and holiday resorts under exclusive brands such as Dior and Givenchy for fashions, Bulgari® and Tag Heuer® for watches, Dom Pérignon for Champagne and Sephora® for cosmetics. As demand for status-symbol brands increases worldwide, LVMH has increased its annual turnover beyond €35 billion. Its well-established brands have considerable pricing and profit power because of their long-standing luxury images and product quality. The Louis Vuitton brand, for example, earns 40 per cent profit margins on its products.

In China, LVMH reinforces the exclusivity of its brands by creating bespoke Louis Vuitton shoes, handbags and other products for wealthy customers willing to pay top prices for one-of-a-kind, top-quality products. The company also operates a high-altitude winery in China's Yunnan province to turn organically grown grapes into a rich, red wine with mystique. Branded as Ao Yun ('above the clouds'), LVMH is producing only 24,000 bottles and marketing the wine at a unit price above €200.

Currency fluctuations have occasionally caused some LVMH brands to adjust prices so that consumers won't buy goods outside their home markets. When the Swiss franc rose and the euro was weak, Tag Heuer reduced prices in China and the Americas but held prices steady in Japan, Singapore and European nations. Still, even the lowest-priced, entry level luxury products in LVMH's portfolio can't be priced too low for reasons of brand perception.[3]

Marketing plan analysis:

What particular perceived costs and benefits should LVMH analyse from the consumer's perspective when understanding the value of its products?

Pricing based on value

Through research, you can determine how customers in your targeted segment(s) perceive the value of your product's total benefits and costs and the value of competing products. Then, like IKEA®, you can use this understanding to plan your pricing as well as your costs and your product design (see Figure 7.1(a)). In the past, most marketers started with the product and its cost, developed a pricing plan to cover costs and then looked for ways to communicate value to customers (see Figure 7.1(b)).[4] However, in today's connected world, when customers can so easily locate competitive products and compare prices online or via mobile, you can't afford to ignore the link between value and pricing when preparing your marketing plan.

(a) Value-based pricing

Customers → Value → Price → Cost → Product

(b) Cost-based pricing

Product → Cost → Price → Value → Customers

Figure 7.1 Value-based pricing compared with cost-based pricing

Source: Adapted from *The Strategy and Tactics of Pricing: A Guide to Growing More Profitably,* 4th Edn., Pearson Education Inc. (Nagle, T.T. and Hogan, J., 2006) p. 4: Prentice Hall, Nagle, Thomas T., Hogan, John, Strategy & Tactics of Pricing: Guide To Growing More Profitably, 4th Edn., p. 4, © 2006. Reprinted and Electronically reproduced by permission of Pearson Education. Inc., Upper Saddle River, New Jersey.

Analysing influences on pricing decisions

Many elements influence pricing decisions. IKEA® looks closely at costs and product development, as well as at customer needs and other external influences when it plans for pricing. LVMH® examines the customer's perspective of value and looks closely at both internal and external influences on pricing decisions. As you prepare your marketing plan, keep these influences in mind when working on your pricing strategy.

Internal influences

These major internal influences can affect the decisions you make about pricing: (1) organisational and marketing plan objectives; (2) costs; (3) targeting and positioning; (4) product decisions and life cycle; and (5) other marketing-mix decisions (see Figure 7.2).

Figure 7.2 Internal influences on pricing decisions

Organisational and marketing plan objectives

Price and every other marketing-mix element must relate to the organisation's goals, objectives and marketing plan. Because price generates revenue, it is a particularly important factor for achieving sales and profitability targets as well as for meeting societal objectives. If growth and market share are your key objectives, you could lower the product's price and reduce its perceived benefits, or develop an entirely new product with fewer benefits that can be marketed at a lower price. Or you could develop a new product designed to sell for less as a way of meeting customer needs.

Costs

Most companies price their products to cover costs, at least over the long run. In the short term, however, you may be willing to price for little or no profit when establishing a new product, competing with aggressive rivals or seeking to achieve another objective. If you compete primarily on the basis of price, you will be particularly concerned with managing variable costs and **fixed costs** (such as rent, insurance and other business expenses, which do not vary with production and sales). This keeps prices low and protects profit margins.

When you have limited control over the **variable costs** that vary with production and sales, such as the cost of raw materials and parts, you will find pricing for profit even more challenging. Although at times you may have difficulty determining a product's exact costs – especially if it has yet to be launched in the marketplace – you need cost information to calculate the **break-even point**. This is the point at which a product's revenues and costs are equal and beyond which the organisation earns more profit as more units are sold. Unless you make some change in price (which will affect demand) or variable cost, your product will not become profitable until unit volume reaches the break-even point. The equation for this calculation is:

$$\text{break-even point} = \frac{\text{total fixed costs}}{\text{unit price} - \text{variable costs per unit}}$$

If, for example, a product's total fixed costs are €100,000 and one unit's variable costs are €2, the break-even point at a unit price of €6 is:

$$\frac{€100{,}000}{€6 - €2} = 25{,}000 \text{ units}$$

Using this break-even point, the organisation will incur losses if it sells fewer than 25,000 units priced at €6 (which works out to total revenues of €150,000). Above 25,000 units, however, the company can cover both variable and fixed costs and increase its profits as it sells a higher quantity. Figure 7.3 is a graphical depiction of break-even analysis, which doesn't take into account changes in demand, how competitors might respond, how customers perceive the product's value and other external influences on pricing. Nor does break-even analysis reflect how the cost per unit is likely to drop as you produce higher quantities and gain economies of scale. Still, it provides a rough approximation of the unit sales volume that you must achieve to cover costs and begin producing profit, which is important for planning purposes.

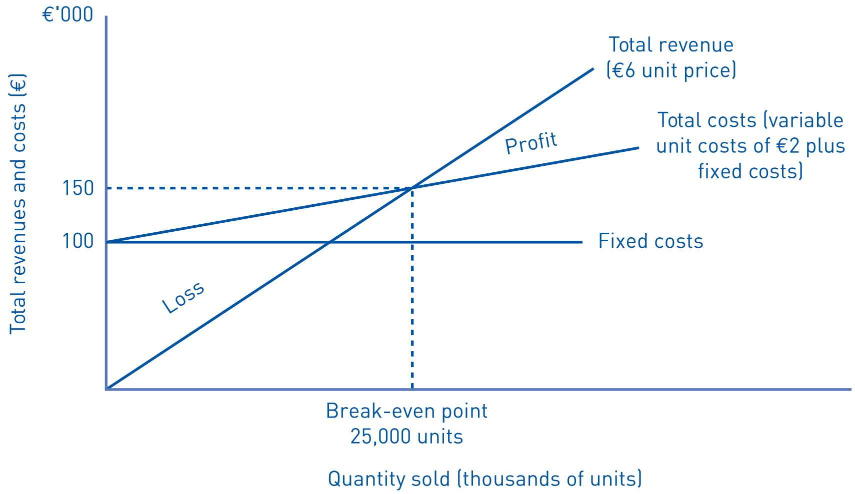


Figure 7.3 Break-even analysis

Targeting and positioning

Any pricing decisions should be consistent with your targeting and positioning decisions. If you're in marketing at Harrods® and you target affluent customer segments with an upmarket positioning, you'll plan your pricing very differently from retailers that target price-sensitive consumers. The UK retailer Poundland® (www.poundland.co.uk) uses low prices to attract bargain-hunting shoppers, which is consistent with its positioning on the basis of value for money.

MARKETING IN PRACTICE
POUNDLAND®

Every year, Poundland's 900 stores® in Great Britain, Ireland and Spain sell more than 2 million umbrellas, 3 million lightbulbs and 18 million cans of Coca-Cola® at the unit price of £1. The retailer was founded in 1990 and now generates £1 billion in annual turnover, including revenues of the 99p Stores® chain it acquired in 2015 and revenues of its Dealz Stores. Poundland's® pricing policy of selling everything for one pound was especially successful during difficult economic times. Many customers who hunted for discounts during those years continued to do so even when economic conditions improved. As a result, the retailer plans dozens of new-store openings every year to reach this sizeable segment of price-sensitive shoppers.

Poundland® offers discount prices on well-known, frequently purchased merchandise like Felix® pet foods, Dove® soaps, Nescafé® coffees and Duracell batteries. In addition, it markets its own brands in product categories such as food and gardening. The retailer reaches tens of thousands of customers via Facebook®, Twitter®, Pinterest®, Instagram®, YouTube® and other social media sites to promote its low prices on everyday and seasonal merchandise.

Knowing that some customers like to buy in person and others prefer to browse and buy online, Poundland® has an active e-commerce site with a flat fee for delivery and free delivery for purchases over a designated amount. It is also testing special deals on merchandise priced higher than its typical £1 unit price. The website features such deals and a small number of its stores are experimenting with special deals in addition to the £1 merchandise. Still, the £1 pricing policy that made Poundland® so popular is here to stay as long as the company targets customers who want value-priced merchandise.[5]

Marketing plan analysis:

Do you agree with Poundland's decision to consider a multi-price strategy for its stores? Explain your answer.

Product decisions and life cycle

If you review Figure 7.1(a), you can see that pricing decisions are closely intertwined with product decisions. More companies are developing new products after they have determined customers' perceptions of value, set target costs and set a target price, rather than starting the pricing process after initiating production. Of course, your pricing decisions will change during the product's life cycle, beginning with new product pricing and continuing through growth, maturity and decline.

When your product reaches the growth stage, competition will be increasing. You should choose pricing strategies that support more differentiation in targeted segments, or pricing strategies to stimulate higher demand for economies of scale. In maturity, even more competitors will be in the market, which may mean another change in your pricing plan. Pricing experts Thomas Nagle and John Hogan have several suggestions for pricing mature products, including: (1) unbundle and price products individually; (2) review customer price sensitivity and reprice accordingly; (3) review costs and capacity and reprice accordingly; (4) introduce related products to leverage the mature product's success; and (5) change channel pricing to expand distribution.[6]

Marketing-mix decisions

Beyond the product life cycle, planning for pricing is influenced by (and influences) planning for other marketing-mix decisions, including communications. Many producers and retailers feature pricing in their promotions to capture customer attention and compete with direct rivals. Although marketers of luxury products may not make price a highly visible part of their communications, their pricing decisions will be affected by the benefits and value they communicate through the product, adverts, social media and customer service. In short, be sure your pricing fits with the other decisions in your marketing plan. Use Checklist No. 12 as you think about pricing during the product life cycle.

ESSENTIAL CHECKLIST NO. 12
PRICING THROUGH THE PRODUCT LIFE CYCLE

Whether your marketing plan is for a new product or an existing product, you'll face pricing decisions as it moves through its life cycle. These questions will help you make decisions.

- ☐ At introduction, how can pricing be used to encourage channel acceptance of a new product, encourage customers to try the product and stimulate repeat purchasing?
- ☐ At introduction, how can pricing be used to manage initial supply and demand?
- ☐ During growth, how can pricing be used for competitive purposes, to defend market share and to encourage customer loyalty?
- ☐ During growth, what pricing approach will lead to break-even and profitability?
- ☐ In maturity, what pricing approach will achieve sustained profitability and other objectives?
- ☐ In maturity, what pricing approach will support expanded channel coverage?
- ☐ In decline, what pricing approach might slow the slide of unit sales and protect profits?
- ☐ In decline, how can pricing be used for profit as competitors withdraw from the market?

External influences

The major external influences on pricing are (1) customers, (2) market and demand, (3) competition, (4) channel members and (5) other concerns, including legal, regulatory, ethical and sustainability considerations (see Figure 7.4).

Customers

Not all customers can or want to compare prices; not all customers are interested in the lowest-priced alternative. The price must be within what customers consider to be an acceptable range for that good or service.[7] Customers may decide against buying a product that is priced unusually low because they suspect poor quality, yet be willing to spend more if a product appears to offer value-added benefits, such as a prestige brand. If your product is particularly innovative or meets unspoken customer needs, your price strategy may have to go against long-established traditions of pricing and service levels.

Business buyers, in particular, may feel pressure to acquire raw materials, components or services at the lowest possible prices, which in turn affects their suppliers' pricing strategies. Some business buyers and consumers constantly switch brands or suppliers in search of bargains, especially now that they can quickly and easily compare prices online. Your challenge as a marketer is to communicate your product's benefits so that customers recognise the differentiation and perceive the value in relation to the price.

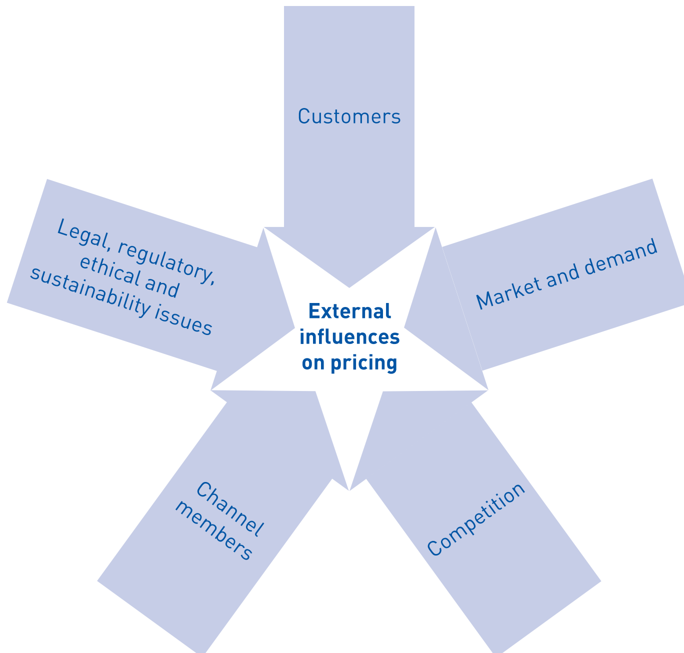


Figure 7.4 External influences on pricing decisions

Market and demand

You should research the **demand** for your product in the target market – how many units are likely to be sold at different prices – and the effect of price sensitivity, or the **elasticity of demand**. When your research reveals **elastic demand**, a small percentage change in price will usually produce a large change in quantity demanded. If your research reveals **inelastic demand**, a small percentage change in price will usually produce a small percentage change in quantity demanded (see Table 7.1). Keep demand in mind as you prepare your marketing plan, because pricing decisions will significantly affect your ability to achieve sales and market share objectives.

Note that you can actually maintain or increase revenues by raising the price when demand is inelastic, or by cutting the price when demand is elastic. However, if you price a product too high, you risk reducing demand; price it too low and you may spark strong demand that you cannot profitably satisfy. It can be difficult to research the exact elasticity of demand for a particular product, although you can conduct experiments and analyse

Table 7.1 Pricing and elasticity of demand

Pricing decision	Inelastic demand	Elastic demand
Small decrease	Small increase in demand	Larger increase in demand
Small increase	Small decrease in demand	Larger decrease in demand

sales history to estimate elasticity. Remember that elasticity of demand can vary widely from one segment to another and from one market to another.

Walt Disney® (http://thewaltdisneycompany.com) is using pricing to manage demand at its theme parks and to profit from high demand during holiday periods and on weekends.

MARKETING IN PRACTICE
WALT DISNEY®

With $52.5 billion in annual turnover, the Walt Disney® Company welcomes nearly 150 million visitors to its theme parks every year. Disney's Magic Kingdom in Florida is the world's most popular theme park, and its parks in Asia, France and other regions also attract millions of visitors. Many visitors return – often – as the parks introduce new attractions such as *Star Wars* and *Finding Dory* rides. Disneyland in California and Disney World in Florida are so crowded during weekends and holidays that the company recently decided to research the use of pricing to manage demand and spread attendance throughout the year.

Disney had already implemented tiered pricing at Disneyland Paris in 2014, with one ticket price for 'high season' and a different ticket price for 'low season'. With that experience in mind, it surveyed visitors to Disneyland and Walt Disney World, assessing their reaction to peak and non-peak pricing. Based on this research, and on projections of attendance at these two parks, Disney implemented a new three-tiered pricing plan. 'Peak' pricing applies on holidays and during school vacation periods, as well as on days when demand has historically been high. 'Regular' pricing applies on non-peak weekends and on days when demand has historically not been peak. 'Value' pricing applies on non-peak weekdays and other periods when demand is lowest.

How consumers perceive the value of a visit is what will drive their behaviour. Consumers can choose to pay more when a peak period visit fits their schedules, or they can choose to save money by visiting when demand is lowest. From Disney's perspective, this pricing strategy will help fill the parks during periods of lower demand. During peak periods, the pricing strategy will increase customer satisfaction by reducing the length of queues and reducing the wait times for popular attractions.[8]

Marketing plan analysis:

Do you think demand for Disney theme parks is elastic or inelastic? What are the implications for Disney's pricing strategy?

Another consideration for marketers who target customers in other countries is the effect of currency fluctuations in foreign-exchange markets. Multinational corporations such as IKEA®, LVMH®, Unilever® and Procter & Gamble® must think about the effect of foreign-exchange rates when they import or export. Currency fluctuations – especially sudden or exchange changes – can push profit margins up or down, depending on the foreign-exchange situation and the prices set in each country. After the UK voted to exit the European Union, the drop in the value of the pound sterling began attracting travellers who realised they could get more for their money on holiday in Great Britain and buy products at a price that was effectively lower than in Europe.[9] Currency fluctuations can also influence demand, specifically where, when and how your customers buy, now that cross-border e-commerce transactions are only a click or tap away. Therefore, if your marketing plan includes buying or selling in other nations, consider the potential implications of currency fluctuations and any restrictions on financial transfers by you or by your customers.

Competition

Whether the product is confectionery or cars, competition exerts a strong influence on pricing decisions. Customers look at the costs and benefits of competing products when thinking about value, so be aware of what competitors are charging. However, it's risky to imitate another organisation's pricing simply for competitive reasons, because your organisation probably has very different costs, objectives and resources from those of your rival. Also, consider whether your product could face price competition from products that meet customers' needs in different ways, as when travellers can choose between air travel, rail travel and car hire. When you plan, think about the impact these substitutes might have on your pricing decisions.

Adding to the competitive pressure among retailers is the growing use of *price-check apps* to compare prices on items while consumers are in a store. Amazon.com, for example, offers price comparisons via app, alerting consumers about price changes on products they are following. Of course, consumers can simply check prices via mobile, tablet or computer without a specialised app. Being able to quickly and easily compare prices has led to the rise of **showrooming**, which occurs when customers look at a product in a store, compare prices using an app and then buy online if the price is lower. It has also led to the rise of **reverse showrooming**, which occurs when customers see a product online or on social media such as Pinterest®, and then go to a store to buy it.[10]

Price wars are also part of price competition in certain industries. These reduce profit margins as prices move lower and lower. If customers become accustomed to waiting for price wars before they buy, you may have difficulty selling at what you previously considered to be normal pricing levels. Price wars often break out in the grocery industry, where Aldi®, Tesco®, Asda® and other competitors cut prices on selected items to attract shoppers. Price wars are also used to defend market share when rivals open new stores or upgrade e-commerce operations. Even Boeing® and Airbus®, which make commercial jetliners for the world's airlines, have become involved in high-stakes price wars to retain and expand market share.[11]

Channel members

When making channel arrangements, you must ensure that wholesalers and retailers can buy at a price that will allow profitable resale to business customers or consumers. Channel members have to be able to cover the costs they incur in processing customer orders, repackaging bulk shipment lots into customer-sized lots, product storage and other operations. Think carefully about the costs and profit margins of all channel participants, along with the price perceptions of the targeted customer segment, when setting your product's price. (Note that when channel members discount selected items or participate in price wars, they typically have their own price objectives – such as increasing footfall or defending market share.)

Even your choice of intermediaries depends on your product's price. If you market high-quality, high-priced products, you will have difficulty reaching your targeted segment through intermediaries known for stocking low-quality, low-priced products. If you market lower-quality, low-priced products, upmarket stores will not stock your products because of the mismatch with their target market. Also consider how your channel members will promote your product based on its price. For example, Black Friday and Cyber Monday price promotions in late November are increasingly popular in the US and UK, leading to one-day, one-week or even longer seasonal price cuts, both in stores and online.[12] Featured products will enjoy a short-term boost in number of units sold, although profit margins may be lower. In short, carefully coordinate your channel decisions with your price decisions.

Legal, regulatory, ethical and sustainability considerations

Prepare to comply with local, national and regional laws and regulations when pricing your products. Among the kinds of issues your marketing plan should cover are the following:

- *Price controls and price fixing*. Some countries control the prices of products such as prescription drugs, which limits pricing choices. Many also forbid the use of price fixing and other actions considered anti-competitive.
- *Resale price maintenance*. UK and European Union laws generally prevent marketers from insisting that channel members maintain a certain minimum price on their products. This paves the way for more competition and reinforces the need to consider pricing throughout the channel.
- *Industry regulation*. Government regulators can affect pricing in some industries by allowing or blocking the sale of certain products or bundles.
- *Government requirements*. Legal and regulatory actions can affect pricing by mandating product standards, tests or labelling; these requirements add to the costs that you will seek to recoup through product pricing.
- *Taxes and tariffs*. Prices for products sold in certain countries must include value-added tax (VAT) or sales taxes, which vary from nation to nation. In addition, import tariffs raise the price that customers pay for some products. For example, when China reduced the tariff on imported nappies, consumers paid lower prices for these products.[13]

Going beyond legal and regulatory guidelines, look at the ethical implications. Is a pharmaceutical manufacturer acting ethically when it sets high prices for a life-saving drug that patients in some areas cannot afford? Is an airline or bank acting ethically when it promotes a special price without prominently explaining every restriction? Transparency in pricing is a key factor in building trust, so plan to let your customers know about any fees, taxes or extra charges before they buy. As challenging as such issues may be, building a reputation for ethical pricing ultimately enhances your brand's image and reinforces long-term customer loyalty. Finally, consider sustainability issues. If costs for green products are higher than for other products, will your customers pay a higher price? Should you accept a lower profit margin when sustainability is one of your societal objectives? These types of questions should be addressed in your marketing plan.

Making pricing decisions

Once you understand the external and internal influences on pricing, you can set pricing objectives for the period covered by the marketing plan. If your product is new, you will decide between market-skimming and market-penetration pricing. As your product line expands, you will face decisions about pricing multiple products and you may need to plan to adapt your product's price.

Setting pricing objectives

Your objectives for pricing will be based on your organisation's objectives and those of the marketing plan. There are three categories of pricing objectives:

- *Financial objectives for pricing.* You may seek to maintain or improve profits, maintain or improve revenues, reach the break-even point by a certain date, support another product's revenues and profitability, or achieve a certain return.
- *Marketing objectives for pricing.* Relationship targets for pricing include attracting or retaining customers, building or defending market share, building or changing channel relationships, or building brand image, awareness and loyalty.
- *Societal objectives for pricing.* You may set targets for covering the cost of using ecologically friendly materials and processes, providing reverse channels for recycling, generating cash for charitable contributions or achieving other non-business objectives.

Some marketers of software, games, apps and other products use **'freemium' pricing**, giving the basic product away free but charging for extra functionality or features. This approach aims to achieve both financial and marketing objectives. Software companies like Microsoft® sometimes use freemium pricing when targeting business customers, expecting that users who try the basic product will perceive the value and pay for the full version. Microsoft® has used freemium pricing to successfully convert 50,000 small business customers every month to paid users of its Office 365 software suite. Big businesses are also sampling Office 365 through freemium pricing and then paying for full-featured software, bringing the total number of commercial users to 60 million worldwide.[14]

Pricing new products

A new product presents a special pricing challenge because you must decide whether to use **market-penetration pricing** and price relatively low for rapid acquisition of market share, or to use **market-skimming pricing**, setting a relatively high price to skim maximum revenues from the market, layer by layer. With market-penetration pricing, the price may be so low that the product is unprofitable and/or priced lower than competing products in the short term. Yet such pricing may be effective in the long run if you are determined to boost volume and gain efficiencies that will lower costs as a foundation for future profitability.

Market-penetration pricing is not appropriate for every product, which is where internal and external influences come into play. Your customers may perceive less value in a luxury product that is launched with market-penetration pricing, for example. Also, market-penetration pricing may be inappropriate for the kinds of channel members you need to use to reach targeted customer segments. Finally, such pricing may not be consistent with your promotion decisions.

Apple®, maker of iPhones® and Mac® computers, prefers market-skimming pricing for its new products. This supports Apple's® profitability as well as its cutting-edge image for new technology, design and features. When the company introduces a new model of an existing product – such as a new iPhone® – it typically reduces the price of older models. The change in pricing clarifies the positioning of different products in the line and reinforces the distinction between newer and older models.

Consider market-skimming pricing for innovative or top-quality products, to make an upmarket impression on selected customer segments that are less price sensitive and place a premium on novelty. Market-skimming pricing is common with products employing new technology. Not only do you take in more money to help cover costs with this approach, you have the flexibility to lower prices as you monitor competitive response, attain volumes that yield economies of scale and shift to targeting more price-sensitive segments. If your initial price is too high, however, you may set customer expectations too high, slow initial sales and lower repeat sales if the product does not fulfil those expectations.

Pricing multiple products

Your plan for pricing should take into account more than one product in the line or mix, any optional or complementary products and any product bundles. The way you price each product sets it apart from other products in your mix, reflecting or reinforcing customer perceptions of each product's value. You can then balance prices within the product line or mix to reach your total revenue or profit objectives. A hotel company may market deluxe hotels, convention hotels and modestly priced tourist hotels, each with its own target market, pricing objectives and room rates in line with the perceived value. Many airlines market different classes of travel, charging higher prices for first class and business class than for economy class. Each class comes with features and benefits such as roomier seats for comfort, differentiations that are reflected in the price.

If you offer a *bundle* of goods or services (more than one, purchased together for a single price) you must determine how to price that bundle, given the competition and customers' perceptions of the bundle's value. A bundle might be a holiday package combining air travel and hotel accommodations, for example. Or it might be a smartphone with extra accessories, offered together for one price. One advantage of bundling is that competitors can't easily duplicate every aspect of a unique, specially priced bundle. If customers do not want everything in your bundle at the price set, however, they may buy fewer products individually or look at competitive bundles. And later in a product's life cycle, you may get more benefit by unbundling and pricing each part separately.

Adapting prices

Your plan should allow for adapting prices when appropriate, either by increasing perceived value or by reducing perceived cost. Depending on local laws and regulations – and the rest of your marketing plan – some ways in which you can adapt prices include the following:

- *Discounts*. You can plan special discounts for customers who buy in large quantities or during non-peak periods, pay in cash, or assume logistical functions such as picking up products that would otherwise be delivered. Be aware of the possibility that discounting one product in a product line could cannibalise sales of other products in that line, affecting overall revenue and profit margins.

- *Allowances*. You can invite customers to trade-in older products and receive credit towards purchases of newer products. You may also offer customers refunds or rebates for buying during promotional periods.
- *Extra value*. To encourage intermediaries to carry your products, you may offer small quantities free when resellers place orders during a promotional period. For consumers, you may temporarily increase the amount of product without increasing the price.
- *Periodic mark-downs*. Retailers, in particular, plan to mark down merchandise periodically, at the end of a selling season, to attract or reward shoppers or to stimulate a new product trial. UK shoppers expect after-Christmas bargains at Boxing Day sales, for example.
- *Segmented pricing*. Depending on your segmentation decisions, your pricing can be adapted for customers of different ages (such as lower prices for children and older customers), members and non-members (such as lower prices for professional association members), different purchase locations (such as lower prices for products bought and picked up at the main plant) and time of purchase (such as lower prices for mobile phone service during non-peak periods).
- *Strategic price cuts*. The purpose of a strategic price cut is to accomplish a specific purpose, such as to defend market share for a limited period or to position a brand for future growth.

Consider Honda's® situation in Vietnam, where its motorcycles faced intense competition after the entry of low-cost Chinese brands. As unit sales dwindled, Honda® chose to implement a strategic price cut on its best-selling Honda® Dream model. This reduced profits for a time, but it also rekindled customer interest while the company developed a lower-cost, lower-price motorcycle called the Wave®. The Wave® became so popular that it helped lead Honda® to a dominant 70 per cent share of Vietnam's lucrative motorcycle market.[15]

Internal or external influences may prompt you to raise or lower a product's price. For example, you can use a price cut to stimulate higher demand or defend against competitive price reductions. You may want to use a price increase to deal with rising costs or product improvements that raise perceived quality and value. Whether such price adaptations achieve their objectives will depend on customer and competitor reaction.

Some marketers are promoting special pricing on *daily deal sites*, websites that alert subscribers to a limited number of deeply discounted offers. Participating businesses use deal sites to attract new customers, with the goal of turning them into loyal customers who will buy at regular prices. Although some marketers are pleased with the results, others complain that the deep discounts hurt their profit margins. Examine the financial aspects carefully and consider how participating will help you to achieve your objectives before you participate in a daily deal.

Planning for prices to vary

Some marketing plans call for pricing that isn't fixed but instead varies under certain circumstances. With **dynamic pricing**, marketers vary their prices from buyer to buyer or from situation to situation. Most airlines plan for dynamic pricing, using sophisticated software that aims to maximise the revenue for each flight and balance demand with supply. The software adjusts airfares depending on historical and actual demand for the flight, competition, the number of seats allocated to each class of service, the number of seats unfilled at a given time and other factors. To preserve goodwill, marketers should be sure to explain the purpose of this type of pricing and show that the pricing provides customers with some affordable options.[16]

If you're preparing a marketing plan for business goods or services or for certain expensive consumer products, you should be prepared for **negotiated pricing**, in which buyer and seller negotiate and then confirm the final price and details of the offer by contract. Some business and consumer marketers use **auction pricing**, inviting buyers to submit bids to buy goods or services through a traditional auction (such as those conducted by Sotheby's) or an online auction (such as those on eBay®). Auction pricing can be a good way to market excess or out-of-date stock to price-sensitive customers without affecting the fixed price set for other segments. It can also be used for special marketing situations.

CHAPTER SUMMARY

Customers perceive a product's value according to the total benefits weighed against the total costs, in the context of competitive products and prices. Marketers should research how customers perceive the value of their product and the value of competing products and, ideally, work backwards using the perceived value to plan price, cost and product decisions. Internal influences on pricing decisions are: organisational and marketing plan objectives; costs; targeting and positioning; product decisions and life cycle; and other marketing-mix decisions. External influences on pricing decisions are: customers; market and demand; competition; channel members; and legal, regulatory, ethical and sustainability considerations.

Two approaches to pricing new products are market-penetration pricing (to capture market share quickly) and market-skimming pricing (to skim maximum revenues from each market layer). Depending on local laws and regulations and the rest of the marketing plan, marketers can adapt prices using discounts, allowances, extra value, periodic mark-downs or segmented pricing. A marketing plan may not involve fixed prices but instead have prices that vary according to dynamic pricing, negotiated pricing or auction pricing.

A CLOSER LOOK

MARKETING AT IKEA®

Can IKEA® achieve its goal of €50 billion in annual turnover within a few years? Pricing is a very important factor in the retailer's marketing plan for growth. And as both a large-scale manufacturer and a global retailer, IKEA® is in a good position to manage some factors that influence pricing. Thanks to its buying power, IKEA® can negotiate volume discounts on raw materials and parts. Also, the company's designers visit its factories and analyse transportation requirements before planning products and pricing. Using special software, they can determine the most efficient size, shape and weight for packages and shipping early in the development process, which prevents costly product revamps later.

At the same time, IKEA's® marketers must keep customer behaviour in mind to avoid designing affordable products that are stylish but too complex to assemble at home. Another consideration is the location of IKEA® stores. As the company opens more stores in urban locations, its marketers are aware that many shoppers will carry products home on bicycles or public transport. Therefore, they must be sure that product packaging, size and weight all make sense for the market and for the planned price.

Sustainability is built into IKEA's® marketing, including pricing. It uses its brand power and global reach to promote eco-friendly products and processes all over the planet. IKEA® no longer sells traditional incandescent lightbulbs, only energy efficient LED bulbs with affordable price tags. Sales of its eco-friendly products are growing at double-digit rates. The retailer has ambitious goals for obtaining raw materials from sustainable sources and for using energy from renewable sources. Yes, IKEA® wants to increase turnover, but it also aims to make every product more sustainable and, at the same time, maintain the quality, function, style and affordable pricing for which the brand is known.[17]

Questions

1. Is IKEA® likely to use market-penetration pricing or market-skimming pricing for new products, and why?
2. Should IKEA® worry about showrooming, price wars or price-check apps when it makes pricing decisions? Explain your answer.

APPLY YOUR KNOWLEDGE

Choose a particular business product (such as a tractor or technology services) and research the marketer's approach to pricing. Then write up your ideas or give an oral presentation to the class.

- What benefits does this product appear to offer to business customers?
- What initial and ongoing costs would business customers perceive in connection with buying and maintaining this product?
- If the product is new, what pricing approach is the company using to launch it? Why is this approach appropriate for the product?
- How does the price reflect the product's positioning and other marketing-mix decisions?
- How does the price of one competing or substitute product appear to reflect that product's value (from the customer's perspective)? If you were a customer, would you place a higher value on this competing product than on the product you have been researching? Why?

BUILD YOUR OWN MARKETING PLAN

Continue developing your marketing plan by making pricing decisions about a new or existing product. What pricing objectives will you set for this product? If the product is new, will you use market-skimming pricing or market-penetration pricing – and why? Which external influences are most important to the pricing of this product? How do internal influences affect your pricing decision for this product? What price will you set for this one product and in what situations would you consider adapting the price? Would dynamic, auction pricing or negotiated pricing be appropriate? Consider how these pricing decisions fit in with earlier marketing decisions and with the objectives you've set, then document them in your marketing plan.

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8

Planning for channels and logistics

Learning outcomes

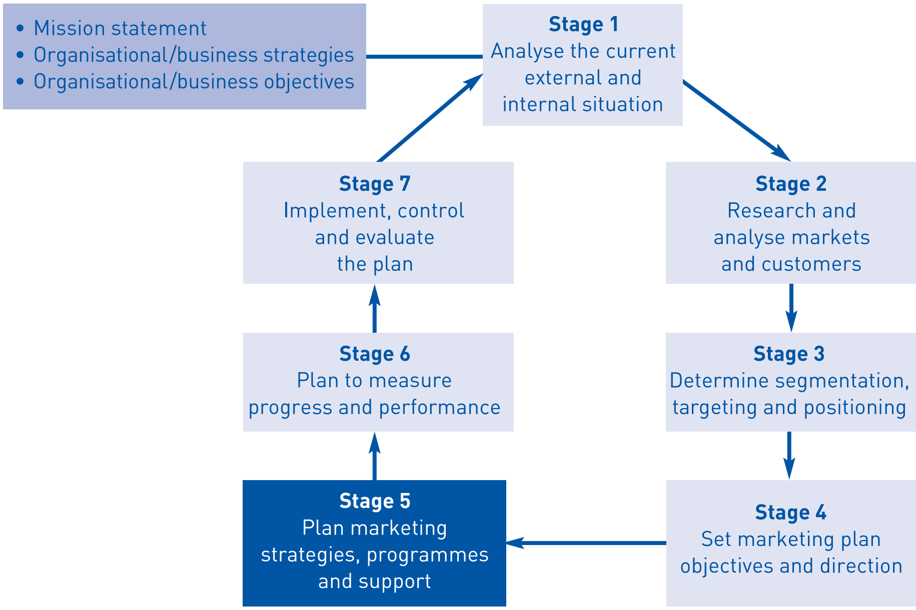
After studying this chapter, you will be able to:

- Explain the roles of the value chain, marketing channels and logistics.
- Describe channel levels, intermediaries and intensity of distribution.
- Understand the balance between logistics costs and customer services.

Application outcomes

After studying this chapter, you will be able to:

- Analyse the value chain for a good or service.
- Decide on the number of channel levels and members.
- Analyse and plan for logistics.



CHAPTER PREVIEW

MARKETING AT BURBERRY®

Burberry® was founded in the mid-19th century, yet its distribution strategy is cutting-edge 21st century. The British company famous for stylish trench coats derives 71 per cent of its annual turnover from retailing and 26 per cent from wholesaling its fashion products. With 214 branded stores, 213 stores within department stores, 57 outlets and multiple e-commerce sites and partners, Burberry® makes its products available through any and every marketing channel that targeted customers might want to use for purchasing.

Burberry.com is the brand's largest channel, serving as an online and mobile-commerce store in 44 countries. Burberry® has also arranged for prominent placement on the websites of upmarket retailers Harrods® (UK) and Nordstrom (US), as well as special branded stores on Tmall.com (China) and ssg.com (South Korea). In Japan and China, among other markets, Burberry® offers in-store pick-up of online orders for customer convenience. By understanding its customers' buying patterns and catering to their preferences for browsing and buying digitally and in stores, the company has increased sales beyond £2.5 billion.[1]

Burberry® is a good example of the marketing-mix tool of 'place', how a company profits by enabling customers to take possession of a product in a convenient place and time, buying online or in a nearby store. This chapter discusses channels in the value chain, channel levels, channel members and the latest retail trends. You'll also learn about logistical issues that must be addressed in any marketing plan. Use the checklists in this chapter to think through decisions about channels and logistics during the planning process, and review the sample plan in the Appendix.

Analysing the value chain

The **value chain**, also known as the *value delivery network* or *supply chain,* is the succession of interrelated, value-added functions undertaken by the marketer with suppliers, wholesalers, retailers and other participants (including customers) to obtain supplies and deliver a product that fulfils customers' needs. Figure 8.1 shows a simplified value chain and the key areas to be analysed during the marketing planning process, including reverse channels, to arrive at an efficient and effective combination for distribution.

Imagine Heinz® as the central link of the value chain. As a producer, it is responsible for coordinating the transformation of *inputs* (beans and spices, for instance) into *outputs* (baked beans) as well as *inbound functions* that occur upstream (bringing ingredients to food-production facilities) and *outbound functions* that occur downstream (getting canned goods to stores). The value added downstream occurs within a **marketing channel** (also known as a **distribution channel**), the set of functions performed by the producer or intermediaries, such as retailers, to make a particular product available to customers. Morrisons®, Waitrose®, Ocado® and other retailers are part of Heinz's® marketing channel, buying its beans and ketchup to resell to consumers through shops or websites (all on the

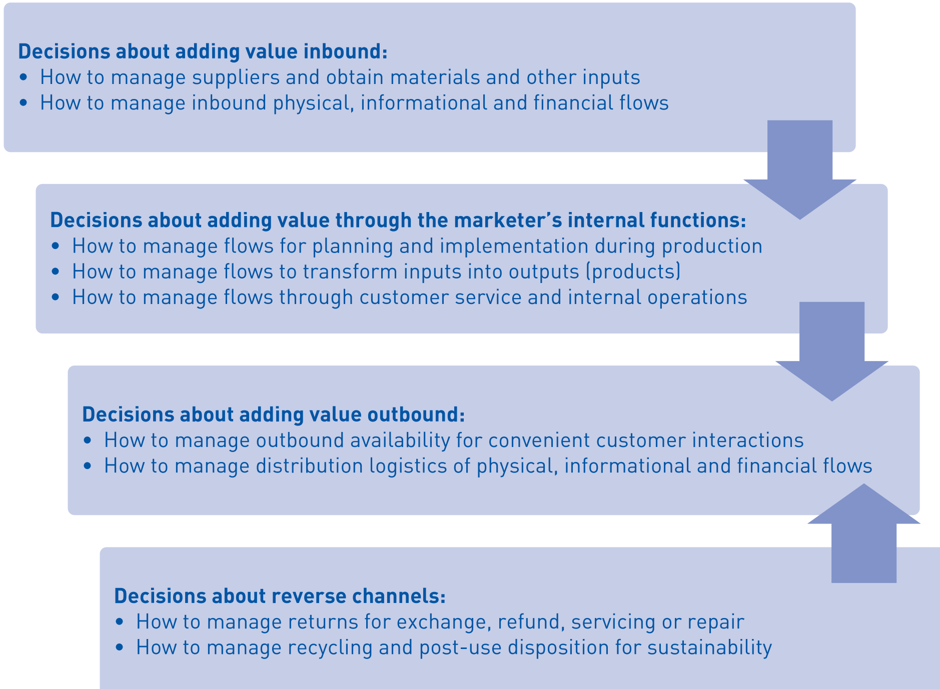


Figure 8.1 Areas of focus in a simplified value chain

outbound side). Heinz® also plans for a reverse channel by using recyclable plastics for its ketchup bottles.

The profitable flow of products, information and payments inbound and outbound to meet customer requirements is accomplished through **logistics**. One or more parties must handle inbound transportation of ingredients and packaging materials so that Heinz® can produce its foods. Heinz® or one of its suppliers must maintain inventory levels of food ingredients to ensure that sufficient quantities are on hand when needed. Heinz® also has to track production quantities, accept and fill retailers' orders, and despatch cartons of its foods to retailers on the outbound side of the value chain.

For planning purposes, take into account the needs and behaviour of targeted customer segments, your SWOT analysis and competitive situation, your product's positioning and your marketing plan objectives. Then consider which functions in the value chain must be accomplished and which participants should be responsible for each. These decisions lay the groundwork for adding value and meeting customers' needs at an acceptable cost to the customer and an acceptable profit to the organisation. Increasingly, business customers have formal procurement processes in place to obtain all kinds of goods and services as part of their inbound value chains. The Canadian retailer Hudson's Bay Company, for example, has a formal procurement process for buying electricity, lighting and cooling systems.[2]

Also think about how technology applies to your channel and logistics situation. For example, the BBC® and other entertainment providers allow consumers to view programmes on demand, downloaded or streamed when and where viewers want, depending on the provider and the customer's technology. The ability to deliver on demand is another option to consider during your channel and logistics planning. Because of the number of available alternatives, you should analyse a variety of channel and logistics arrangements before you make a final decision and document it in your marketing plan.

The value chain for services

If your marketing plan is for a service, be aware that your value chain should put particular focus on inbound activities, the service experience itself and outbound activities that involve the customer. Inbound functions cover supplies, information and payments related to providing the service; the service experience occurs in the central link (if delivered by your firm); and outbound functions cover service availability plus associated information and payments. Logistics for services are concerned with having the right supplies (and people) in the right place at the right time. Moreover, because services are perishable – they cannot be stored for future sale or consumption – your plan must carefully manage all flows to balance supply and demand.

Flows and responsibilities in the value chain

Examine the functions and activities that each participant in the value chain (suppliers, retailers, transportation firms and others) must perform to make your product available to customers when and where needed. Having a wide variety of supplies, materials or products immediately available at all times in all locations (or ready to be despatched quickly on demand) is the most desirable situation, but is often too costly and impractical. Yet customers are likely to be unsatisfied, and may switch to competitors, if a marketer has too few supplies or products available, the wrong quantities or models available, and/or slow or expensive transactions. These are some of the challenging trade-offs between value added and cost.

Reverse channels

Your marketing plan should include a **reverse channel**, a flow that moves backwards through the value chain to return goods for service, or when worn out, and to reclaim products, parts or packaging for recycling and disposal. This is particularly important if you're marketing online and want to reassure customers that they can return or exchange what they buy. Reverse channels offer opportunities for customer convenience, sustainability and differentiation. In establishing reverse channels for recycling appliances and consumer electronics products, European manufacturers and retailers must comply with regulations such as the Waste Electrical and Electronic Equipment (WEEE) Directive. This ensures that harmful materials are properly disposed of, a growing problem because consumers are upgrading mobiles, computers and other digital devices more frequently than ever before.

However, some companies have been accused of *greenwashing*, meaning that consumers perceive these companies as marketing products or brands on the basis of 'green' activities that have little or no actual ecological impact. Therefore, when you plan for reverse channels to handle recycling or other green activities, be sure your arrangements are transparent and will lead to the appropriate outcome.

Marks & Spencer® has partnered with Oxfam to create a convenient reverse channel for unwanted clothing. When customers buy new clothes at M&S, they're encouraged to give the retailer at least one old or unwanted garment that is donated to Oxfam for resale in its charity stores. M&S hopes customers will adopt this 'buy one, give one' approach when they shop so that old clothes don't go to waste. Other retailers, including Sweden's H&M® and Japan's Uniqlo®, also provide reverse channels for consumers to donate old clothing.[3]

Planning for channels

Depending on your organisation's situation and objectives, you can plan for a value chain that includes direct or indirect channels. With **direct channels**, you make products available directly to customers. For example, IKEA® uses direct channels, marketing its furniture and homewares through its own stores, its own retail website and its own catalogues. With **indirect channels**, you work through marketing **intermediaries**, outside businesses or individuals that help producers make goods or services available to customers. Channel arrangements take time to plan and implement because in most cases, marketers work through a variety of intermediaries, and each will have its own objectives and plans.

Figure 8.2 shows how goods or services would reach customers through direct and indirect channels. It also shows the three major types of intermediaries, each of which adds value in a particular way:

- **Wholesalers** buy from producers, sort and store products, create smaller lots for buyer convenience and resell to other intermediaries or to business customers. Some take on duties normally handled elsewhere in the value chain, such as monitoring a customer's inventory. Wholesalers may buy and resell consumer products or business products.
- **Retailers** are companies such as Selfridges®, Amazon.com and Macy's® that buy from producers and resell products, giving consumers easy and convenient access to an array of products. Many retailers also sell their own range of private-label products in their stores, on their websites and in their catalogues. Internet-only companies like Amazon® and eBay® are sometimes part of the channel for other retailers that want to reach customers online.
- *Representatives, brokers* and *agents* (such as insurance agents) bring producers together with customers but generally do not take ownership of the products they market. These intermediaries, which may represent business or consumer goods and services, add value through their knowledge of the market, customers and products.

The Japanese retailer Uniqlo® (www.uniqlo.com) faces both opportunities and challenges in implementing its marketing plan for global retail expansion.

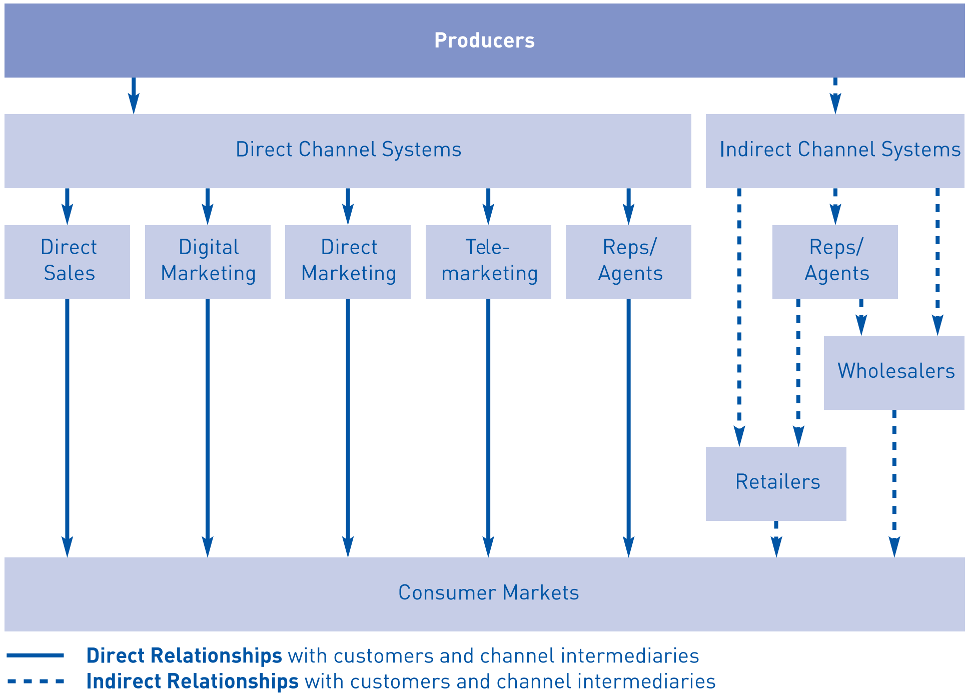


Figure 8.2 Marketing channel arrangements

Source: Adapted from *Market-based Management,* 6th Edn., Pearson Education Inc. (Best, R.J., 2012) p. 318. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

MARKETING IN PRACTICE
UNIQLO®

Uniqlo® operates more than 1,700 stores in 17 countries. Its colourful, affordable clothing products are quite popular in Japan, but to achieve faster long-term growth, parent Fast Retailing is targeting young, style-conscious buyers in other major markets. Uniqlo® opened its first London store in 2001, followed by several more UK locations. After failing to make a competitive name for itself with this initial step into global expansion, Uniqlo® closed most of its UK stores by 2003. By 2007, it was back with a large store in Oxford Street, the vanguard of its higher-profile approach to London retailing. It expanded this flagship store in 2015 to showcase new product ranges, including clothing featuring Liberty of London prints. The store also builds buzz by hosting cultural events through a partnership with Tate Modern.

Fast Retailing recognises that demographic and economic changes in China present another good opportunity for retail expansion. In 2005, Uniqlo® opened two stores in Beijing, but closed them within a year while it conducted additional research into local needs. Once Uniqlo® relaunched in China, it opened dozens of stores, including a glittery Shanghai flagship that differentiates the brand. It also leverages social media to build its brand and sells through Chinese e-commerce sites such as Alibaba's® Tmall.

Uniqlo® entered the US market in 2005, but its first few stores in suburban US shopping centres were small, and the chain lacked the competitive power and brand image to attract customers. Uniqlo® closed three US stores in 2006 when it opened a large flagship in a hip part of New York City. As with the London and Shanghai flagships, the purpose was to make a brand statement, setting Uniqlo® apart from the typical store selling affordably priced casual clothing. With consumer behaviour in mind, Uniqlo® is now moving more aggressively into e-commerce. It recently opened a distribution centre in Europe to support its European retail website, which accepts online orders from and ships purchases to buyers in 17 nations.[4]

Marketing plan analysis:

Marketing own-label brands, does Uniqlo's® store network represent a direct or indirect channel? What are the implications for pricing and profit margins?

Be aware of the **grey market**, which can develop when wholesalers and retailers sell a branded product where they aren't authorised to do so. Sometimes known as a *parallel market,* the grey market isn't illegal, and the products aren't counterfeit. However, it's a 'grey' area because the products weren't intended to be distributed through these intermediaries. You may need a contingency plan to deal with the possibility that your products could be sold through the grey market. For example, the Paris-based luxury brand Chanel® noticed the growth of a grey market in China after foreign-exchange fluctuations made its products much more expensive there than in Europe. Chanel® then set one standard price worldwide for each of several popular purses, to prevent these products being sold at varying prices in different markets.[5]

Channel length decisions

In your marketing plan, you will have to specify the number of intermediary levels you want to use for each product – in other words, the length of the channel. Longer channels have more intermediary levels separating the producer and its customers; shorter channels have fewer intermediaries. A direct channel is the shortest because there are no intermediaries and the producer deals directly with its customers through any or all of the methods shown on the left in Figure 8.2. This is appropriate when you want as much control as possible over dealings with customers and your organisation can handle all outbound functions. If your markets and segments are not well defined or you lack the resources and knowledge to work directly with customers, however, using a direct channel can be inefficient at best and ineffective at worst.

The zero-level channel can work well for both business and consumer marketers, despite differences in products, customers, prices and markets. Nippon Steel®, one of the world's largest steel producers, uses direct channels to sell to construction companies, carmakers, shipbuilders and other businesses in its home country of Japan and in other markets. It has formed a joint venture to make steel pipes in Mexico as a convenient and direct supply source for cars manufactured in North America by US, European and Japanese vehicle manufacturers.[6]

Longer channels, such as the two- and three-level indirect channels illustrated in Figure 8.2, send products through a series of representatives or agents, wholesalers or retailers before they reach the final customer. Such channel arrangements allow intermediaries to add value when your company is targeting multiple or geographically dispersed markets, you have limited resources or little customer knowledge, your customers have specialised needs, or your products require training, customisation or service. Although the price paid by customers must reflect a profit for intermediaries at all levels and cover the value they add, you may find that long channels are the best way to make certain products available.

Internet-based intermediaries are growing rapidly as marketers target businesses or consumers that buy electronically. Consider how Amazon.com (www.amazon.com) is expanding worldwide, both electronically and with actual stores.

MARKETING IN PRACTICE
AMAZON.COM

The pioneer of online book retailing has morphed into one of the world's largest e-commerce businesses. Founded in 1995, Amazon.com now serves customers in 189 countries, and its annual turnover exceeds $100 billion. The retailer's long-term goal is to double its turnover to $200 billion by finding new ways to satisfy customers and expanding operations in high-growth markets. It is also assuming more functions within the marketing channel by leasing aircraft and opening distribution centres to serve a wider geographical area.

One way Amazon® differentiates itself is through the Amazon® Prime membership programme. Tens of millions of consumers have joined, paying one flat yearly fee for extras such as speedier delivery and on-demand access to streaming entertainment. Prime members can pay a little more for same-day delivery in some markets, another competitive advantage for Amazon®. Because Prime members don't pay shipping charges for each order, they are likely to buy more frequently than shoppers who pay for shipping. Members are also eligible for special promotions such as the deep discounts offered on Amazon® Prime Day in 2015. The company sold 34 million items on that day, nearly matching the peak sales volume of a typical Black Friday, and it also attracted millions of new Prime members.

After trying without success to gain significant market share in China, Amazon® decided to open a digital storefront on Tmall, which is owned by China's dominant e-commerce firm, Alibaba®. With that experience in mind, the company is investing heavily to reach shoppers in India, which has a growing economy and a large population. Amazon® can do business in English there, a plus for the US-based business. However, India's complex laws governing large-scale retailing complicate Amazon's marketing plan. Credit cards are not widely held in India, so Amazon® has arranged for local shops to hold merchandise until buyers pay and collect their orders. Despite Amazon's high-tech innovations, the retailer has also opened a few bricks-and-mortar stores, to study shopper behaviour and to invite shoppers to try its Kindle® and other private-brand products.[7]

Marketing plan analysis:

What kinds of marketing decisions does Amazon® face in convincing consumers of the value of paying for Prime membership?

Some organisations use a direct channel for certain segments (usually business customers) and an indirect channel with one level for other segments (usually consumers). This allows more control over the typically large-volume transactions with businesses, and delegates responsibility for the higher number and smaller size of consumer transactions to intermediaries. Carmakers, for instance, use a direct channel when selling to government agencies so they can negotiate specifications, pricing and delivery; this is how Australian government agencies buy an estimated 75,000 cars and trucks each year.[8] In addition, carmakers use a separate, single-level (indirect) dealer channel to sell to consumers in various markets. The dealers then develop market-specific promotional communications for consumers in their area.

Channel member decisions

Your marketing plan should indicate how many and what type of channel members you'll need for each level in each market. Decisions about distribution intensity depend on the market, the product and its life cycle, customer needs and behaviour, product pricing and product positioning. Table 8.1 summarises the three broad choices, along with the value for customers, producers and channel members.

Table 8.1 Exclusive, selective and intensive distribution

	Exclusive distribution	Selective distribution	Intensive distribution
Value added for customer	• Individual attention • Knowledgeable sales help • Availability of training or other services	• Choice of outlets in each area • Some services available	• Convenient availability in many areas • Competition among outlets may lower price
Value added for producer	• Reinforces positioning of expensive or technical product • Closer cooperation and exchange of information • More control over service quality	• Ability to cover more of the market • Less dependent on a small number of channel members	• Higher unit sales • Ability to cover an area completely • Lower cost per unit
Value added for channel member	• Association with exclusive brands enhances image • Can become expert in certain product categories and lines • Can tailor services to targeted customers	• Benefit from producer's marketing support in the area • Potential to build sales volume and qualify for higher discounts	• Attract customers seeking high-volume, high-demand offerings • Enhance overall merchandise mix
Concerns for producer	• Higher cost per unit • Potentially reach fewer customers	• Medium costs, medium control	• Less control over service quality • More difficult to supervise • Possible conflict among channel members

If you use **exclusive distribution**, one intermediary will handle your product in a particular area (the way car manufacturers sell through one showroom per geographical region). If you use **selective distribution**, a fairly small number of intermediaries will sell your product in the area. If you use **intensive distribution**, many intermediaries will handle your product in the area. How do you choose among these options? As the table indicates, you can enhance the luxury image of upmarket or specialised goods and services by using exclusive distribution. New products that require extensive customer education may be sold in exclusive or selective distribution. Also, products that require expert sales support, or for which customers shop around, are often marketed through selective distribution. Finally, consider intensive distribution for inexpensive, everyday products, especially impulse items, to achieve higher sales volumes.

Once you've decided on distribution intensity, you next select specific intermediaries for each channel. In a marketing plan for an existing product or a new entry in an existing line, you may want to reassess the value each member is providing, add more channel members to expand market coverage if needed and replace ineffective or inefficient members as necessary. As coverage increases, so does the possibility for conflict among channel members over customers, market coverage, pricing, and other issues. Channel members may compete within the same channel or in different channels, which complicates the planning and evaluation process.

Your marketing plan should allow for educating channel members about your product's benefits and encouraging them to promote it actively. Also think about whether a particular intermediary will be a strong marketing partner today and in the future. Bear in mind that some retailers may stock your product online only, due to limited space in branch shops. And some retailers may give your product special consideration because they want variety in their merchandising assortment.[9] Your plan should also indicate how you will evaluate channel relationships. Honda® Motor, which competes against Yamaha® and other motorcycle marketers in Vietnam, uses 300 criteria to evaluate each channel member. The highest-scoring dealerships receive awards, while the lowest-scoring dealerships receive additional support to improve.[10]

Retail trends

As you plan channel strategy, be aware of what's happening in the retail industry. Trends can sweep through quite quickly as consumers' needs and preferences change or because of business challenges and opportunities. One trend gaining momentum is **pop-up shops**, also known as **flash retailing**. These temporary stores 'pop up' in a location for a day, a week or a few months and are gone in a flash. During and after the recent recession, many of the vacant high-street stores became good locations for pop-up shops.

MARKETING IN PRACTICE
POP-UP SHOPS

Pop-up shops are never intended to be permanent; each has a specific marketing purpose and stays open for a limited time. Entrepreneurs, for example, may use pop-up shops to test new products and new retailing ideas. This flexibility is an advantage, says Jennifer Carr, who has used small pop-ups to test the market for her line of Harris Tweed accessories. Carr can quickly and easily adjust her merchandise assortment in a pop-up. She also sells through e-commerce retailers, but she likes pop-ups because she can promote her brand without the expense and commitment of a permanent location.

Established brands use pop-ups to gauge demand in new markets and to support specific campaigns. For example, Topshop and Topman tested South African interest in their UK clothing brands by opening a three-month pop-up within a permanent store, the Unknown Union in Capetown. In Hong Kong, Fendi and Topman are among the brands that have opened temporarily in prime locations to give their brands extra prominence during short-term marketing campaigns. Online retailers Zalora® and Grana have used pop-up shops in Hong Kong, as well, to reach in-person shoppers for brief periods. The National Autistic Society has used charity pop-ups to raise money and awareness by selling creative items made by autistic people and their families.

Tech marketers such as Samsung see pop-up shops as a good way to give customers an opportunity to see and try new products. When Samsung opened a one-month pop-up shop in London to showcase its new virtual-reality headgear and a new Galaxy mobile, it attracted more than 125,000 visitors in less than three weeks. The pop-up's purpose was not to sell but to showcase the new products and encourage visitors to don Samsung headgear and enjoy a virtual ride on a rollercoaster.[11]

Marketing plan analysis:

From a channel marketing perspective, what are the arguments for and against Samsung selling products in its pop-up shop?

In a related trend, pop-up restaurants are increasingly popular, moving from one temporary location to another as they attract publicity and build brand interest. Germany's Prêt à Diner, for example, has served upmarket dinners on river banks, in skyscrapers and in historic buildings.[12] Food trucks are also popular, parking in different neighbourhoods on different days and specialising in a particular type of food, such as barbecued meats or biscuits. Now entrepreneurs are marketing many types of products, including clothing and accessories, via *mobile stores* that park in various locations where customers can gather, browse and buy.[13]

A few marketers are testing *virtual stores,* where shoppers in a transport hub or another non-store environment buy by pointing a mobile at an image that includes the product's barcode or a QR (quick response) code. Others, including IKEA®, are testing *virtual-reality stores* that allow shoppers using virtual-reality headgear to 'see' products in a more realistic way than if viewing an image online. In Australia, eBay® and Myers® department store have partnered on a virtual-reality store in which shoppers use virtual-reality equipment (or a free cardboard version available from the partners) to browse products and examine them in three dimensions.[14]

Because many businesses are adopting *multichannel marketing,* conflict between store-based retailers and online retailers is increasing. As discussed in **Chapter 7,** some online retailers encourage shoppers to compare prices of specific items in stores and online via mobile apps, because retailers without stores are often able to sell at a lower price than store-based retailers. Online price comparisons are part of the *showrooming* trend, where customers use the physical store as a showroom – a place to look but not buy. To combat showrooming, some store retailers are adding mobile-shopping apps, expanding services, making delivery speedier and matching the prices of online retailers. Consumers are also choosing to research goods and services online or via mobile before visiting a physical outlet, fuelling the *reverse showrooming* trend in which purchases are made in person.

Checklist No. 13 will help you think about channel issues for your marketing plan.

ESSENTIAL CHECKLIST NO. 13
PLANNING FOR MARKETING CHANNELS

As you answer these questions, consider how channel choices and changes might affect your competitive position and your organisation's ability to achieve its objectives.

- ☐ How do customers prefer or expect to gain access to the product?
- ☐ Which channels and channel members (or multichannel arrangements) are best suited to the product, positioning, brand image and organisation's control preferences?
- ☐ What are the organisation's channel costs and will customers pay for access through these channels?
- ☐ Are the right assortments of products available at the right time and in the right quantities, with appropriate support?
- ☐ What geographical, ecological, legal and regulatory considerations affect channel decisions?
- ☐ How many channel levels and members are appropriate, given the organisation's situation, objectives and targeting decisions?
- ☐ How will channel members be selected, supported and evaluated?

Planning for logistics

A good logistics plan can help you compete by serving customers more effectively or by saving money. This is especially important for small businesses and in fast-growing industries, where customer relationships are just being formed. Whatever your plan, you will need clear-cut, non-conflicting objectives. If your objective is to make more products available or get them to customers more quickly, expect higher costs. If your objective is to cut costs, you might have to carry less stock or use slower transportation methods, with the possibility that some products might be out of stock for brief periods. Try to strike the best balance between your customers' needs and your organisation's financial, marketing and societal objectives.

Inventory decisions

Your decisions about inventory must be made even before the first product moves into the channel. Pre-production, identify the stock level of parts and supplies required for the planned output. Post-production, think about how much stock of each product is needed to meet customer demand, balanced with organisational constraints of budgets, production and storage capacity. As Figure 8.3 indicates, logistics decisions about pre- and post-production inventory, storage, transportation, order processing and fulfilment depend on whether your objectives are linked to less service (lower cost) or more service (higher cost).

If your stocks are too low, customers will not find products when and where they want and your channel members will lose sales; if too high, the organisation's investment is tied up and you risk having some products going out of style, spoiling or becoming obsolete. If you're a retailer, you have to consider what shoppers will buy (and when), what your suppliers can provide (at short notice, if needed) and when you must pay your suppliers.

Increasingly, producers, suppliers and channel members are collaborating to forecast demand and have the right amount of stock when and where needed. Mistakes can be costly – resulting in empty shelves and disappointed customers or, just as bad, warehouses full of obsolete or overpriced products. You must be able to respond quickly when your retail partners reorder items that sell unusually well; also remember that retailers may delist products that fail to live up to their sales expectations.

Storage decisions

Where will you store materials before production and where will you store finished products until needed to fill intermediary or customer orders? How long will you store materials and finished products? Such storage decisions are based, in part, on your inventory decisions and your customers' requirements. If you promise a business customer just-in-time stock replenishment, you might store products in a nearby warehouse or distribution centre for speedy delivery on schedule. Also examine how much space is needed for storing stock at the site where customers actually gain access to the product. Next, look at the product itself and examine variations in demand. Is your product perishable? Is it especially large (or small) or fragile? Does it have other physical characteristics that affect storage? Are large quantities needed quickly during periods of peak demand? Is demand erratic or steady? What are the implications for your marketing plan?

Evaluate your alternatives to determine whether your organisation should maintain its own storage facilities, add or decrease storage capacity or outsource warehousing to a

- Pre-production and post-production inventory
- Storage
- Transportation
- Order processing and fulfilment

Less service, lower cost ⟷ More service, higher cost

Figure 8.3 Implementing logistics objectives specialist. For example, Woolworths® in Australia invested in a new Sydney distribution centre to serve its stores in New South Wales after analysis showed that restocking its New South Wales stores from this location would save time and money. This is also a more earth-friendly approach compared with restocking from existing warehouses in South Australia and Queensland.[15]

Transportation decisions

In the course of planning inbound and outbound logistics, choose the means of transport that are appropriate for your product, your budget and your customers' needs and value perceptions. Choices include road transport by lorry (convenient for door-to-door shipments), rail transport (for bulky or heavy items), air transport (when time is a factor and budgets allow), water transport (when time is not a factor but cost is) and pipeline transport (for liquids and natural gases). Often products are despatched by more than one means of transport, such as lorry to water, rail or air and back to lorry. Table 8.2 shows some of the key questions to ask when making transportation decisions for your marketing plan.

If you're a producer, your flexibility in transportation choices depends, in part, on legal and regulatory rules governing competition in pricing and schedules, as well as your balance of cost and customer service. If you are marketing transportation services, use your marketing plan to differentiate yourself from competitors through convenience, speed, special product handling or another benefit that your customers value. If you're a charity or non-governmental organisation, you may need specialised logistics to deal with donated goods and services and to distribute goods and services when and where needed.

Some marketers outsource the process of transporting orders to specialist firms that take care of all the details. Also think about the reliability of transportation and requirements that are specific to certain products, such as maintaining a constant temperature for chilled foods throughout the distribution process.

Table 8.2 Planning for transportation

Question	Transportation choices
How quickly must products be at their destination?	Air is speediest; water is slowest
Is steady, predictable receipt of products desirable?	Pipeline allows for fairly steady transport of liquids and gases; water is least predictable
What level of transport costs is acceptable to the organisation and its customers?	Pipeline and water are least expensive; air is most expensive
Is transportation available from the point of despatch directly to the point of delivery?	Road transport offers the most convenient door-to-door delivery
How do product characteristics affect transportation options?	Water and rail easily and cost-effectively accommodate large, bulky products; lorries are often used to transport products that require a temperature-controlled environment

Order processing and fulfilment decisions

Whether you're targeting business or consumer markets, you'll have to include order processing and fulfilment in your marketing plan, with decisions about the method and timing of:

- accepting orders and billing for purchases;
- confirmation of order and available inventory;
- picking and packing products for despatch;
- documenting and tracking the contents of shipments;
- handling returns, errors and damaged goods.

Many organisations aim for better customer service through reduced order cycle time as part of their marketing plan activities. This means your customers (whether consumers or businesses) will have as short a wait as possible between placing an order and receiving delivery. Also consider whether you and your customers would benefit from paying to outsource order processing and fulfilment. Refer to Checklist No. 14 for ideas about planning for logistics.

ESSENTIAL CHECKLIST NO. 14
PLANNING FOR LOGISTICS

Keep your channel strategy in mind as you answer these questions and make logistics decisions that are right for your customers, your organisation and your competitive situation.

- ☐ What logistics arrangements would enable customers to obtain products quickly, conveniently and at an acceptable price?
- ☐ How can logistics add more value for the customer and the organisation by boosting benefits or decreasing costs or both?
- ☐ What influence are the organisation's SWOT and resources likely to have on logistics decisions? Can any aspect of logistics be outsourced, if necessary, without compromising objectives or service?
- ☐ How can logistics be used for competitive advantage and to support positioning?
- ☐ What is the optimal balance of logistics costs and customer service, given the marketing plan objectives?

CHAPTER SUMMARY

The value chain (also called the value delivery network or supply chain) is the succession of interrelated, value-added functions that allows a producer to create and deliver a product that fulfils customers' needs through connections with suppliers, wholesalers, retailers and other participants. The marketing (or distribution) channel is the set of functions performed by the producer or by intermediaries in making a product available to customers at a profit. Marketing channels are outbound functions downstream in the value chain, closer to the customer. Logistics refers to the flow of products, information and payments inbound and outbound to meet customer requirements.

Marketers can use direct channels, in which the organisation deals directly with customers, and/or indirect channels, in which the organisation works through other businesses or individuals (intermediaries). The three major types of intermediaries are wholesalers, retailers, and representatives, brokers and agents. In a channel with one or more levels, marketers can choose exclusive, selective or intensive distribution. The main functions involved in logistics are pre- and post-production inventory, storage, transportation, order processing and fulfilment. Increasing customer service levels generally increases logistics costs, while reducing logistics costs generally reduces the level of customer service.

A CLOSER LOOK

MARKETING AT BURBERRY®

Burberry® surprised the fashion world in 2016 when it announced that it would launch new collections in season (instead of months in advance) and distribute products immediately after each runway show (instead of months later). The purpose of this change in distribution strategy was 'to build a closer connection between the experience that we create with our runway shows and the moment when people can physically explore the collections for themselves', according to Burberry's® CEO. Now brand fans can watch the fashion shows via live-streaming or follow highlights on social media, and then click on to the Burberry® site or visit a store, where the latest fashions will be in stock, ready for purchase and use in season. Behind the scenes, Burberry's® logistics updates have improved inventory management, streamlined order fulfilment and given customers more delivery options to fit their lifestyles.

Burberry's® distribution decisions are informed by its ongoing analyses of customer behaviour and its technological expertise. For example, Burberry® knows that an ever-larger segment of its customers rely on their mobiles for easy access to fashion news and advice, researching products and completing transactions. Therefore, the company regularly upgrades its mobile sites and social media presence worldwide, and some of its stores now accept Apple® Pay. Further, it personalises the in-store experience to support its luxury, full-service image. All salespeople in Burberry® stores carry iPads so they can review each customer's previous purchases, suggest suitable products and complete purchase transactions. Thanks to these iPads, customers no longer have to queue at the till.

Burberry's® wholesaling operation is expanding sales to department stores and other outlets worldwide. Beauty products are the company's fastest-growing wholesale product category, accounting for £175 million in annual turnover. Burberry's fragrance and beauty products are distributed in Asia, France, Spain and the US by the Japanese cosmetics firm Shiseido. This decision enables Burberry® to benefit from Shiseido's existing retail relationships and its in-depth knowledge of those markets. The company also sells its fragrances through a branded beauty store within Amazon.com's luxury beauty shopping site in the US, UK, France and Germany. By presenting its products on a separate beauty page, Burberry® can provide product detail, enhance the brand's image and facilitate easy purchasing with a click or a tap.[16]

Questions

1. Now that Burberry® makes new products available immediately after they appear on the runway, what are the implications for logistics planning?
2. Describe Burberry's® distribution arrangements in terms of channel length and the number of channel members. Why are these arrangements appropriate for the fashion brand?

APPLY YOUR KNOWLEDGE

Select a common consumer product, then research and analyse its value chain and its channel arrangements. Prepare a written report or an oral presentation, summarising your analysis.

- Draw a diagram to show a simplified value chain for this product. Is a reverse channel necessary or desirable? Why?
- Is this product available through direct channels such as by mail or from the producer's website? How does this channel arrangement benefit customers and the organisation? What potential disadvantages can you see to this arrangement?
- Is the product available through indirect channels such as retailers? Why is this appropriate for the product, the market and the targeted customers?
- What suggestions can you make for adding channel members who fit with the product's targeting and positioning? How would you select these additional channel members?
- Is the product available through exclusive distribution? Through intensive distribution? Do you agree with this decision?
- Does showrooming or reverse showrooming seem to be a factor in this product's marketing situation?

BUILD YOUR OWN MARKETING PLAN

Continue developing your marketing plan by making decisions about channel arrangements and logistics. Should you market this product directly to customers, or through indirect channels, or a combination? How long should your channel be, and what value will each level add? Is a reverse channel needed? Will you use intensive, selective or exclusive distribution, and why? What kinds of channel members would be most appropriate? What retail trends, if any, can you leverage for your product? Does your product require any special transportation, storage or post-purchase support? What specific customer needs should you take into account when planning logistics and how will you balance cost with customer service? Record your decisions and explain their implications in your marketing plan.

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9

Planning for communications and influence

Learning outcomes

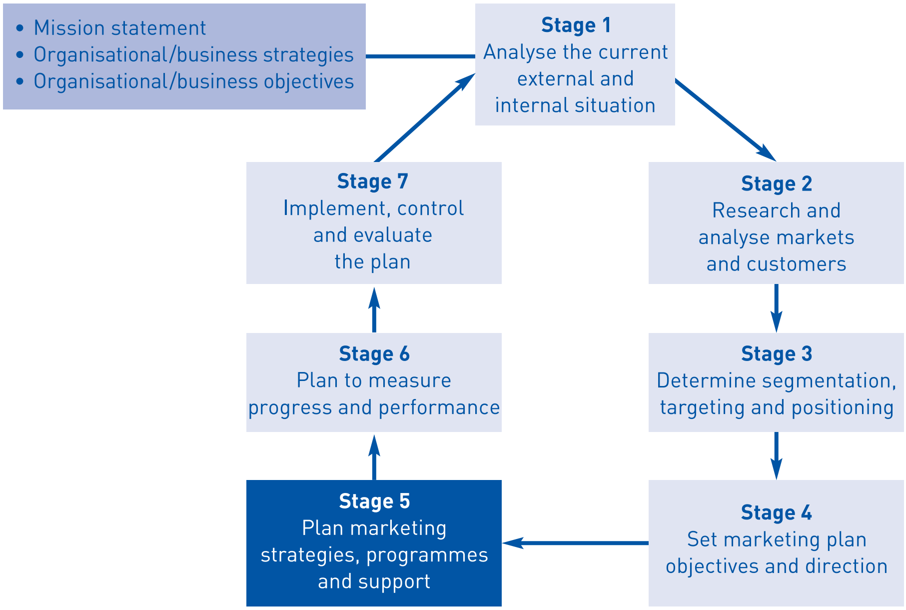
After studying this chapter, you will be able to:

- Understand the role of marketing in communications and influence.
- Identify the steps in planning for marketing communications and influence.
- Discuss how communications tools are used to reach target audiences.

Application outcomes

After studying this chapter, you will be able to:

- Set communications and influence objectives to support the marketing plan.
- Select appropriate communications tools.
- Plan a campaign to inform, engage or influence target audience(s).



CHAPTER PREVIEW

MARKETING AT HYUNDAI®

Every year, Hyundai® (http://worldwide.hyundai.com) sells 5 million cars and SUVs worldwide. In recent decades, the company has upgraded its products and its brand image, aiming for competitive advantage through advanced design, quality, technical innovation and affordable pricing. Hyundai's marketing managers plan communications by thinking about long-term goals, as well as more immediate objectives. For example, to associate the brand with world-class design and culture, the car manufacturer has become a sponsor of London's Tate Modern Turbine Hall, Amsterdam's Van Gogh museum, Korea's National Museum and the Los Angeles County Museum of Art. It communicates this point of differentiation by including the art theme in many TV adverts and social media content.

When preparing to launch a new vehicle, Hyundai® plans for communications one year in advance. Its marketers analyse the target market, set campaign objectives and determine the introductory budget, part of the €1.7 billion Hyundai® spends annually on advertising. Next, they formulate a strategy for generating buzz and building product interest through creative messages in multiple media. Finally, to reinforce positive brand attitudes and demonstrate commitment to customer satisfaction, Hyundai's marketers coordinate advertising and social media content with public relations activities and customer service support.[1]

Hyundai® and other companies need strategies for marketing communications and influence – in other words, for promotion – to engage the people and organisations that are important to their brands. In this chapter, you'll learn how to plan for communications, the most visible and creative aspects of many marketing plans. You'll also be introduced to the concepts of word of mouth, buzz marketing and integrated marketing communications. This chapter includes a brief overview of planning for advertising, sales promotion, personal selling, direct marketing and public relations. Two checklists step you through planning for media and for sales promotion.

The role of marketing communications and influence

Before the Internet Age, marketers tended to rely on one-way techniques such as advertising to get messages to broad groups of customers. Now, thanks to technology, marketers can encourage two-way communications, building relationships over time by engaging specific audiences in ongoing conversations. Targeted communications are essential to an effective *customer-influence strategy* for reaching your customers (and key publics) and influencing how these people think, feel and act towards your brand or offering.

Often, the point is not to make an immediate sale but to shape attitudes and strengthen relationships with customers over an extended period, aiming for high customer lifetime value and long-term loyalty. Hyundai's museum sponsorships are a good example of using marketing to shape attitudes towards the brand and to increase awareness of the company's involvement with culture. For the short-term, Hyundai® wants to stimulate word of mouth and build buzz, continuing the conversation and the influence through both traditional and social media.

Word of mouth and buzz marketing

Word of mouth means people telling other people about a marketing message, a particular product or another aspect of the offering or the marketing. Word of mouth has considerable credibility because it's not marketer-controlled and it reflects what people in the market think, feel and do. As a marketer, you can try to initiate positive word of mouth, and you may even reward word of mouth. However, you can't control whether your audience picks up the message and passes it along when or as you intended. And, because word of mouth spreads in an unpredictable way, your message will probably not reach everyone in your target audience.

A more intense form of word of mouth is **buzz marketing**, in which you target opinion leaders with communications that influence them to be active in spreading brand or product information to other people. Buzz marketing can spread product or brand information especially quickly on the Internet. Yet because this is word of mouth, marketers can't control exactly what's being said, where and when the message spreads or how long it will circulate for. Often buzz about a brand will fade as quickly as it builds. As you'll see in **Chapter 10**, buzz is often achieved through a combination of digital, social media and mobile marketing.

Understanding marketing communications tools

As you plan to engage your audience(s), consider how one or more of the five major marketing communications tools shown in Figure 9.1 can help you to achieve your objectives. The following is a brief description; each tool is examined again later in the chapter. Think about how your audience might respond to each type of communications tool, and the relative cost of creating and running a campaign that would make an impression on your audience.

Advertising

Advertising is non-personal promotion paid for by an identified sponsor. This is a cost-effective way to inform large numbers of customers or channel members about a brand or product, persuade customers or channel members about a brand's or product's merits, encourage buying and remind customers or channel members about the brand to encourage repurchase. Although television advertising remains popular, many companies see digital advertising and social networking sites as less costly methods of communicating with targeted audiences. Marketers are also trying other advertising media – including in cinemas, at transit stations and in shopping centres – to stand out amidst the clutter of messages.

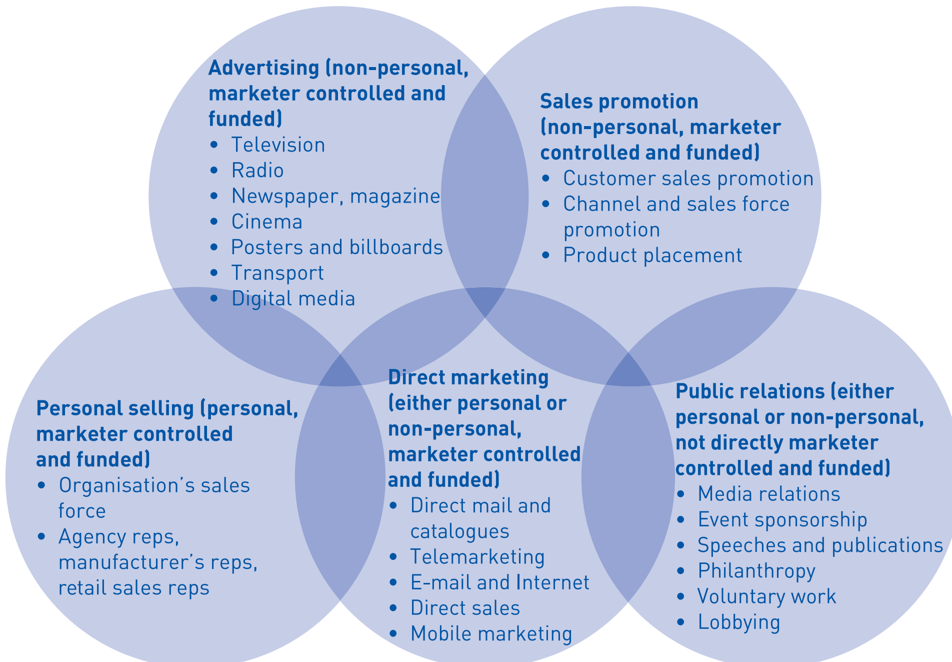


Figure 9.1 Tools for marketing communications

Sales promotion

Sales promotion consists of incentives to enhance a product's short-term value and stimulate the target audience to buy soon (or respond in another way). Although advertising is an excellent way to build brand image and awareness and bring the audience to the brink of action, sales promotion provides impetus to take action right away. You can use sales promotion to induce customers to try a new product, for example, or to encourage channel members to stock and sell a new product. The results of most promotions are easily measured by counting the number of coupons redeemed, the number of people who click on links in e-mail newsletters or on websites and so on. As discussed in **Chapter 10,** a growing number of firms are using **mobile marketing** to communicate about consumer sales promotions and other messages through text and e-mail received on mobiles, as well as through websites optimised for handset screens.

Personal selling

Personal selling – especially useful for two-way communication – can take many forms, including traditional in-person sales, Internet sales and telemarketing. Hyundai® and other car manufacturers rely on personal selling to market cars through local dealerships, for example. Sending a sales representative to call on customers is extremely costly, whereas personal selling in most retail, telemarketing and Internet settings is less expensive than one-to-one sales. Still, companies marketing costly or complicated products to business markets may need sales representatives to learn about customers' needs, recommend solutions, explain features and benefits, answer questions, demonstrate product use and complete sales transactions. Sales representative are also key players in learning about customers and markets, as well as for building trust and strengthening relationships.

Direct marketing

With **direct marketing**, you use two-way communication to interact directly with targeted customers and stimulate responses, particularly purchasing, that will lead to an ongoing relationship. This communication may occur through letters and catalogues, television, radio, e-mail, digital ads, newspaper ads, telemarketing, mobile contact, social media, chat or personal selling. Typical objectives for an initial direct marketing contact might be to get a customer to request product information, get the customer's agreement to receive further messages, stimulate product trial or make a sale. One of direct marketing's most important advantages is the ability to measure actual results.

Public relations

Public relations (PR) activities promote dialogue to build understanding and foster positive attitudes between the organisation and its publics. A marketing plan might call for a news conference to launch a new product, for example. Through sponsorship, associating a brand with a museum (as Hyundai® does) or with a special event like a sports championship can convey a positive sense of energy and community commitment. Because the firm doesn't directly control or pay for media mentions, and because the communication is not sales directed, PR is very believable. However, there's no guarantee that the information will reach the intended audience in the preferred form or at the preferred time, if at all. Also remember that media coverage may be positive or negative, no matter what message a marketer tries to convey.

Unilever® (www.unilever.com) creates marketing plans featuring PR, advertising and other communications tools for brand campaigns.

MARKETING IN PRACTICE
UNILEVER®

From Axe and Lux to Blue Band and Becel, Unilever's® products help it fulfil the worldwide mission of 'supporting sustainability and providing our consumers around the world with the products they need to look good, feel good and get more out of life'. The company has €51 billion in annual turnover and implements marketing plans for dozens of brands, including 13 billion-euro brands. It has also begun zero-based communications budgeting, so marketing managers begin anew each year to calculate how much they need to invest in communications tools and campaigns to achieve their financial, marketing and societal objectives.

Unilever's® marketers are doing more pretesting of adverts so they can fine-tune messages and media before launching major new campaigns. They are also doing in-depth research to understand each brand's target audience and better match messages and media to the audience's preferences. Based on research, Lynx/Axe ads promoting men's grooming products stopped depicting stereotypical usage situations and switched to messages that have more appeal for millennials. This change helped to increase sales significantly.

Sales promotion and publicity are always included in Unilever's® marketing plans. Its Marmite is more than 100 years old, but the brand's communications reflect today's tastes. The brand often introduces limited-edition packaging and special giveaways that add value and boost sales month after month. During one Easter season, it promoted free superhero-themed egg cups branded 'Mighty Marmite' to encourage consumption of the spread at breakfast-time. For the Queen's 90th birthday, Marmite publicised the brand's success in being awarded a Royal Warrant for the first time. What's next for Unilever's® marketing communications plans?[2]

Marketing plan analysis:

If you were marketing Marmite, what kinds of communication messages and media would you use to reach millennial consumers?

Developing a plan for marketing communications and influence

Planning for a communications and influence campaign follows the six-step process shown in Figure 9.2, beginning with a definition of the target audience.

Define the target audience

Who is your target audience? You may want to reach customers in a certain segment, people who influence buyers or users, people who are currently competitors' customers, current or potential channel members, members of the general public, members of the media, government officials or regulators, or other publics.

If you target intermediaries in an effort to move or push your product through the channel to customers, you're using a **push strategy** to stir channel interest using sales promotion, advertising or other communications techniques. Manufacturers often use a push strategy to induce their wholesale and retail partners to carry new products or display products more prominently. An alternative approach is a **pull strategy**, which targets customers

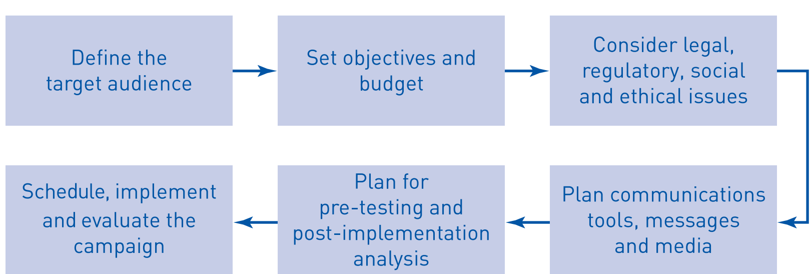


Figure 9.2 Planning a communications and influence campaign

so they will request and buy the product from channel members. This pulls the product through the channel from producer to customer.

In your marketing plan, define who each campaign should reach and, through research, indicate what audience members think or feel about the brand, product, organisation or idea, their attitudes and behaviour towards competitors, what kind of message, appeal, delivery and timing would be most effective, what the message should contain and how it should be conveyed. Look beyond generalities and develop a profile of a typical audience member in as much detail as possible, including age, gender, family situation, lifestyle, media preferences, product attitudes and loyalty, payment preferences, timing of buying decisions and other factors.

Set the objectives and the budget

Your campaign will aim to achieve marketing objectives that move the target audience through a hierarchy of cognitive, affective and behavioural responses. A **cognitive response** refers to a customer's mental reaction, including brand awareness and knowledge of product features and benefits. An **affective response** is a customer's emotional reaction, such as being interested in or liking a product. A **behavioural response** is how the customer acts, such as by buying a product or applying for credit. Customers move through these responses in a different order, depending on how involved they are in making that type of purchase, product differentiation in that category and the influence of consumption experience (see Figure 9.3).

Usually your communications and influence objectives will relate to building long-term relationships by attracting customers' attention, communicating about the product or

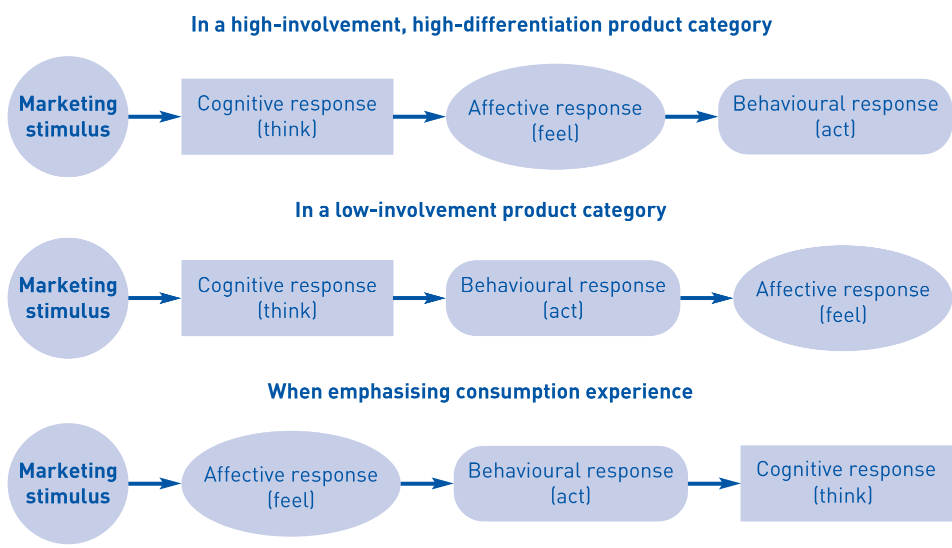


Figure 9.3 Using communications to provoke audience response

Source: After *Consumer Behavior: Buying, Having and Being,* 9th Edn., Pearson Education Inc. (Solomon, M.R., 2010) p. 257. Reprinted and electronically reproduced by permission of Pearson Education Inc., Upper Saddle River, New Jersey.

brand, persuading customers to seek out and buy the product once, and supporting a positive attitude leading to repeat purchases and ultimately loyalty. Specific advertising objectives may be set to complement or support objectives for personal selling, direct marketing or other tools in your plan. You may also set sales or profit objectives, particularly when you can measure and attribute the results to a particular campaign or message. Further, you may use communications to enhance your firm's image or build brand awareness. (Review **Chapter 5** for more about setting objectives.)

The marketing communications budget is developed and allocated in the context of your organisation's overall marketing budgeting process and budget-approval process, which may be driven from the floor-up or from the top-down (or a combination). One floor-up option is to allocate funding according to the objectives and the cost of the tasks needed to achieve those objectives. This directly ties tasks and objectives for better accountability in terms of whether the tasks actually achieve the objectives. However, this method may lead to unrealistic budget requests and may complicate planning if particular tasks can't easily be linked to specific objectives.

Other budgeting methods include the affordability method (a top-down method based on how much the organisation can afford to spend), the percentage-of-sales method (spending a certain percentage of annual sales revenue or an average industry percentage of sales) and competitive parity (budgeting according to what rivals spend). In practice, you may use several methods to construct a preliminary budget, look closely at costs and the market situation, consider both long- and short-term objectives, and then arrive at a reasonable budget. (See **Chapter 12** for more on budgeting.)

Consider legal, regulatory, social and ethical issues

When planning, be aware of a wide range of legal, regulatory, social and ethical issues. On the most basic legal and ethical level, your communications should not be deceptive, distort facts or falsify product benefits. Learn whether certain types of messages are illegal and whether the rules are changing. For example, in the Netherlands, marketers are not allowed to advertise food products to children under 13 years old, with few exceptions.[3]

Until recently, UK television networks were not allowed to accept payment for featuring branded products within programmes. Now that **product placement** is allowed, a growing number of marketers are arranging for their products or brands to appear in UK TV programmes (not just movies). The Nationwide® Building Society had a long-running deal with ITV® to show a branded ATM machine in some *Coronation Street* scenes after research showed that viewers had higher brand recall and positive brand opinions. ITV® estimated it had aired approximately 4,000 hours of programming with product placement embedded during the first few years that the technique was allowed. To alert viewers about product placement, a 'P' sign appears onscreen for three seconds when the show begins and ends, and after commercial breaks.[4]

Plan for tools, messages and media

Most marketing plans employ more than one communications tool to achieve their objectives. Your exact choices depend on your target audience, objectives and budget, other marketing-mix decisions, and legal, regulatory, social and ethical considerations. They also depend on message and media strategy (discussed more fully later in this chapter). For instance, television advertising is generally more expensive than print advertising, so if you have a small budget or want to reach highly targeted audiences you may avoid television or use it sparingly. If your message involves an actual product demonstration, radio will probably be inappropriate. Despite the trend towards digital advertising, many marketers of luxury products use print advertising to reach fashion-minded buyers. By advertising in a few leading big-city newspapers and in glossy fashion magazines, these marketers can target specific audiences, defined by geographic and demographic segmentation, for upmarket designer clothing and other items.[5]

Plan for pre- and post-implementation analysis

To get the information you need for making better decisions about communications and influence, you should plan time and money for research to pre-test messages, creative approaches and use of media. The purpose is to gauge the target audience's response and have the opportunity to make changes, possibly pre-test additional elements and then launch the complete campaign. For example, you can conduct pre-tests to measure recognition (does a sample of the audience recognise what is being promoted?); recall (does the sample remember the message and what it communicated?); affective reaction (do the message, product and brand provoke positive reactions?); and behavioural intentions (are people likely to buy the product or take another action on the basis of the promotion?).

Schedule, implement and evaluate the campaign

As part of your plan, consider the schedule for implementation. Depending on the objective(s), you may implement different parts of the campaign at different times. For example, the schedule might include adverts when a new product is about to be launched and, soon afterwards, coupon distribution to coincide with the product's appearance in local stores. Also plan for evaluating the results and specific aspects of the campaign, such as whether the message or media failed to reach the target audience at times, and why. Analyse how well the audience understood the message; what the audience thought and felt about the product or brand, message and media; which messages and media were especially effective in provoking the desired audience response; how well the tools, messages and media supported the overall positioning; and how well the campaign worked with other marketing-mix strategies.

Neuromarketing is now being applied to improve advertising messages and campaigns.

MARKETING IN PRACTICE
NEUROMARKETING AND ADVERTISING

'We're realising that as the world gets more cluttered, and there's more competition for the hearts and minds of audiences, we really need the best tools to measure the whole consumer', observes the chief neuroscientist for Nielsen Consumer Neuroscience. With so many marketing messages surrounding consumers in everyday life, researchers are examining brain reactions and tracking physical reactions such as eye movements and heart rates to understand what makes an ad memorable, what induces boredom and what touches the emotions.

For example, one long-term study of 150 adverts found that ‘hard-sell’ tactics and messages filled with facts and science are less memorable than messages in which people interact, especially in emotional or humorous ways. Another study of smartphone users showed that fewer than 30 per cent of consumers watched an entire 30-second advert on the small screen. Research showed that when playing a video game on a mobile, consumers spent much more time watching an advert immediately after a successful game play than when the advert appeared before an important play. Researchers gauging reactions to Valentine’s Day adverts noticed that consumers registered boredom when a product shot or brand name appeared.

Marks & Spencer® is applying neuromarketing to transfer its success with food-hall advertising to crafting appealing messages about other products. The retailer has increased food-hall revenue with ads that emphasise sensory distinctiveness, and it wants to use those principles to develop ads for its clothing ranges. The UK Post Office is applying neuromarketing ideas to create ads and apps that encourage an emotional connection with its brand, rather than ‘how to’ and ‘when to’ use postal services. It is even also using neuromarketing to assess how consumers respond to new concept branches.[6]

Marketing plan analysis:

What two questions would you want to research, using neuromarketing, about adverts viewed on mobile screens compared with adverts viewed on TV and in movie theatres?

Integrated marketing communications

When planning a communications campaign, think about how the overall effect of the messages and media will influence customer receptivity, attention, interest and response. Also check that the content of each message is consistent with that of all other messages and with your brand’s competitive points of differentiation. During your campaign, customers may respond to any or all messages, regardless of media, so be prepared to react to customer responses that may be positive, negative or in-between.

This is all part of **integrated marketing communications (IMC)**, coordinating content and delivery of all marketing messages in all media for an organisation, product or brand. For proper integration, select communications tools and media that fit your audience and image. Investigate how factors in the external marketing environment – especially social–cultural trends and technological developments – might affect your ability to get messages across to the audience and the audience’s ability to understand and respond to your messages.[7] Proper coordination increases effectiveness and efficiency because the messages work together across media to reinforce the brand, the key points and your competitive points of differentiation.

Planning advertising

Planning for advertising follows the general planning pattern shown in Figure 9.2. Note that you'll generally wait to make detailed decisions until after your marketing plan is being implemented. Still, you have to plan the general direction of both message and media in order to allocate the overall budget among advertising and other communications and influence activities.

Planning messages

What will the message actually say? What will it look (and/or sound) like? These are the two main decisions in planning messages. Some messages follow a 'hard-sell' approach to induce the target audience to respond now by requesting more details or making a purchase; others take a more 'soft-sell' approach, persuading without seeming to do so. Messages targeting business customers tend to be more formal than messages targeting consumers, and generally rely on logic to inform and persuade.

In contrast, consumer messages are often informal and sometimes rely on feelings to influence through emotions rather than through cognitive content. A growing number of consumer messages are crowdsourced or user-generated, increasing customer involvement and adding an emotional connection. For a recent Christmas Day advert, McDonald's invited consumers to submit video clips of themselves singing *I Wish It Could Be Christmas Every Day*. More than 600 people sent clips, which were sampled into the final advert.[8]

Message planning is inseparable from media planning because the copy in the advertisement, the design and the creativity of its execution depend on media choice. A creative decision to show the product in action, for instance, can be executed through a visual medium such as television or the web. Creativity is crucial for attracting attention, building awareness and shaping positive attitudes. Although not all details need to be finalised until the marketing plan is actually implemented, you should have some idea of message and media strategy so you can plan budgets, timing and marketing-mix coordination.

Instead of celebrities or other spokespeople, advertisers such as Toyota®, Honda®, Expedia® and McDonald's are featuring their own employees in advertising messages to give their brands more personality, enhance credibility and convey authenticity.[9] This combines internal marketing with external marketing to put a human face on the company and achieve multiple advertising objectives.

Planning media

Media planning has become more complex due to the multiplicity of media choices and vehicles and the resulting smaller audience sizes for each – **audience fragmentation**. You'll always have budget constraints as you seek to balance reach and frequency. **Reach** refers to the number or percentage of people in the target audience exposed to an advertisement in a particular media vehicle during a certain period. Higher reach means the message gets to more people, but this usually comes at a cost. **Frequency** is the number of times the target audience is exposed to a message in a particular media vehicle during a certain period. Higher frequency means you expose more people to your message on more occasions, again at a cost. An alternative to paying for high reach that may include people outside the target audience (which sometimes happens with television adverts, for example) is to use more precisely targeted media.

Should you plan to spend more on reach or frequency? Which media and vehicles will get your message to the right people at the right times and places? How much control do you want or need over the message and its distribution? What level of engagement and participation would you like to encourage your target audience to have with your brand and message? Considering competitive factors and audience attention factors, would non-traditional media be effective in reaching your audience? Finally, consider how members of your targeted audience might react to higher frequency. One study, for example, revealed that UK consumers dislike repeated exposure to the same commercial messages, and 31 per cent respond negatively to charity advertising in general.[10]

Checklist No. 15 summarises planning considerations for media, including these questions.

ESSENTIAL CHECKLIST NO. 15
PLANNING FOR MEDIA

Your marketing plan should explain the basic reasoning behind your choices of media and message, although it need not cover every detail of every communications and influence campaign.

- ☐ What media do audience members use and prefer? Are these media available in the geographic region being targeted?
- ☐ Can the media reach the right people in appropriate numbers to deliver messages during the customers' buying cycle?
- ☐ Will the audience consider some media excessively intrusive or annoying?
- ☐ Which media will deliver the desired balance of control, cost, interactivity, credibility and personalisation?
- ☐ What media are used by competitors and how might competing messages affect audience receptivity, understanding and response?
- ☐ Should media be used to deliver the message continuously, intermittently or seasonally?
- ☐ Will the budget cover the projected cost for the desired reach and frequency?
- ☐ What is the expected payback based on anticipated audience reaction?

Planning sales promotion

Include sales promotion in your marketing plan when you want to stimulate faster response from consumers and business customers, channel members (sometimes called *the trade*) and the sales force. Although such promotions add value for only a limited time, some marketers use them as part of a longer-term strategy to strengthen relationships with the target audience. Sales promotion spending now exceeds advertising spending in a number of industries, reflecting increased competitive pressure and the need to produce immediate results.

However, because sales promotion often adds value by reducing perceived cost – lowering the product's price, in effect – over-use may heighten price sensitivity among customers, diminish brand strength and hurt profitability. Yet if competitive pressure leads to more sales promotion activity in your product category, your marketing plan should include ideas to maintain brand preference and reinforce brand image. Thus, you should set clear objectives, understand applicable laws and regulations, choose your techniques carefully, monitor implementation and evaluate results to make your sales promotion programmes successful.

Planning for customer sales promotion

Table 9.1 shows a variety of common sales promotion techniques you can use, depending on your communications objectives and strategy. Consider sales promotion to target consumers or business customers when you want to do the following:

- *Encourage product trial*. Potential customers have to try a product at least once before they can form a definite opinion and decide to buy it again (and again). Sales promotion is therefore commonly used to introduce a product and to stimulate higher sales during the maturity stage.

Table 9.1 Sales promotion techniques targeting customers

Technique	Description
Sample	Free trial of a good or service
Voucher or coupon	Certificate or special code redeemable for money off a product's price
Premium	Free or low-priced items offered to induce purchase
Sweepstake, draw, contest or game	Chance to win cash or prizes through luck, knowledge or skill
Refund or rebate	Returning part or all of a product's price to the customer
Price (or bonus) pack	Special price marked by the producer on a package (or for multiple products bought together)
Loyalty reward	Opportunity to earn gifts or cash for continuing to buy a certain offering or from a certain marketer
Point-of-purchase display or demonstration	In-shop materials promoting a product or in-shop demonstration of a good or service
Branded speciality	Everyday item such as a T-shirt or calendar bearing a brand or logo, for reminder purposes

- *Reinforce advertising for a product or brand*. An exciting sales promotion can help customers notice and remember your advertising messages.
- *Attract interest*. Simply getting customers to visit a store or request product information can be a challenge. Some marketers use coupons, samples or other techniques in an attempt to get customers to take the first step.
- *Encourage purchase of multiple products*. Depending on your product mix, you can use sales promotion to stimulate customer purchases of two, three or even more products.
- *Encourage continued product purchase and usage*. You want to build customer loyalty, increase sales and reduce customer acquisition costs. Airlines do this with their frequent-flyer programmes; supermarkets do this with their frequent-shopper programmes.

Field marketing is used to engage the target audience by bringing sales promotion to (and sometimes taking orders from) customers 'in the field' – in stores, shopping districts and city centres. Marketers or their agencies often use field marketing to give away free samples of new products. When Pret a Manger® introduced new breakfast and lunch items in its stores, its food truck gave away free samples in Glasgow and other cities. Some firms, such as Niner Bicycles in Colorado, bring products to central locations for prospective buyers to examine in person.[11]

Beauty brands frequently use sampling to give customers an opportunity to experience products for themselves before they buy. Birchbox® (www.birchbox.com) pioneered the business of selling subscriptions to boxes of sample-sized cosmetics.

MARKETING IN PRACTICE
BIRCHBOX®

Beauty marketers have found a new way to get samples into the hands of consumers: through firms like Birchbox®, which sell monthly subscriptions to boxes of sample-sized items. Birchbox® was founded in 2010 by two US entrepreneurs to introduce consumers to new skincare and hair care products they might not otherwise discover. They also recognised the value for the brand marketers, who want to know that the thousands of samples they give away each year reach the appropriate audience. 'From the brand side of things, we understood that the beauty industry had a need to better understand the ROI [return on investment] of sampling,' explains co-founder Hayley Barna.[12]

Birchbox® gets free samples from dozens of companies, including Elizabeth Arden, Benta Berry®, Juicy Couture® and Kiehl's. Its customers complete an online questionnaire so they'll receive sample-sized products that fit their preferences and lifestyle, all for a monthly fee of $10. Birchbox's experts decide on a monthly theme, test and choose a small number of samples and include beauty tips and product information with each shipment. In addition to subscription revenue, Birchbox® profits from selling full-size versions of samples included in its monthly boxes. It has expanded into sample boxes for men and occasionally includes non-beauty products as extras in a monthly box to gauge customer reaction.

Birchbox® now serves 1 million subscribers in the US, UK, Spain, France and Belgium. The company uses another sales promotion technique, loyalty rewards, to encourage subscribers to refer friends, post feedback about products and continue subscribing. Subscribers can redeem their Birchbox® points to buy full-size products from the website. Birchbox® has opened a flagship New York City store and actively promotes its curated sample boxes on social media such as Twitter, Facebook®, Instagram® and YouTube®. It's also testing customer service via Snapchat®.[13]

Marketing plan analysis:

What product categories do you think are most appropriate for subscription sampling boxes, and why?

Planning for channel and sales force sales promotion

Particularly when using a push strategy, you may find sales promotion effective in enlisting the support of channel members and motivating sales representatives. Specifically, you can use channel and sales force promotions to do the following:

- *Build channel commitment to a new product*. So many new products are introduced every year that channel members rarely have the space (or the money) to carry them all. Channel promotions can focus attention on a new product, encourage intermediaries to buy it, motivate the sales force to sell it and provide appropriate rewards.
- *Encourage more immediate results*. Sales promotion aimed at channel members and sales representatives offers inducements to take action during a specific time period.
- *Build relationships with channel members*. Keeping the ongoing support of major retail or wholesale businesses takes time and effort. Channel promotion offers opportunities for interactions that benefit the producer and its channel members.
- *Improve product knowledge*. Support the marketing effort by offering training and information through channel and sales force promotion.

Sales force promotions include contests (with cash or prizes as rewards for achieving sales objectives), sales meetings (for training and motivation) and special promotional material (to supplement personal sales efforts). In planning a channel promotion, you may use monetary allowances (either discounts or payments for stocking or displaying a product), limited-time discounts (for buying early in the selling season or during other specified periods), free merchandise (extra quantities provided for buying a minimum quantity or a certain product), co-operative advertising (sharing costs when a channel member advertises a particular brand or product) or trade shows (setting up a booth or room at a convention centre to demonstrate products and interact with channel members or business buyers).

As you plan for sales promotion, Checklist No. 16 may be helpful.

ESSENTIAL CHECKLIST NO. 16
PLANNING FOR SALES PROMOTION

Whether you're planning for a consumer or business product, you're likely to use some form of sales promotion in your marketing plan.

- ☐ Who, specifically, is the internal or external audience for your sales promotion programme?
- ☐ What marketing, financial and/or societal objectives do you want to achieve by targeting each audience for sales promotion activity?
- ☐ How much budget and how much time will you need for each programme in each market?
- ☐ Knowing the audience's media consumption patterns, how will you communicate about each programme in each market?
- ☐ In what ways can you integrate your sales promotion activities with other communications and influence programmes in your plan?
- ☐ What competitive issues should you consider when planning for sales promotion?
- ☐ When and how will you measure the results of each programme?

Planning personal selling

One of the most compelling reasons to include personal selling in a marketing plan is to establish solid relationships with new customers and maintain good relationships with the current customer base. Personal attention can make all the difference when your customers have unique problems, require customised solutions or place very large orders. It's especially important in marketing plans that target business buyers who require assistance in assessing the specifications, benefits and usage requirements of expensive or complex goods and services. Through personal selling, your organisation can learn more about customers' needs and market conditions, start or strengthen customer relationships and determine how to allocate your goods or services when you have excess or limited capacity.

Personal selling can play an important role in **customer relationship management**, forming and managing long-term connections with customers to better understand their needs and to encourage brand loyalty. As mentioned in **Chapter 6**, customers may be aware of a brand, understand what it stands for and respond to it, without wanting an ongoing relationship with it. But personal interactions between a sales rep and a customer can add the service aspect that is so vital to strong marketing relationships.

When planning for personal selling, consider the following factors:

- *Need*. Should your company have its own sales force or sell through retailers, agents, manufacturers' representatives or independent reps? Some online businesses offer 'live chats' with reps who can answer questions and check on product specifications or inventory levels right away.
- *Organisation*. Will you organise representatives according to geographical market, product, type of customer, size of customer or some other structure?
- *Size of force*. How many sales reps should you have, based on your objectives and current sales levels?
- *Compensation*. How will you determine sales force compensation?
- *Management*. How will you recruit, train, supervise, motivate and evaluate sales reps? How will they be educated about legal, regulatory and ethical guidelines?
- *Process*. How will you generate sales leads? How will sales personnel access information about prospects and customers? What logistical activities must be coordinated with sales transactions, and who will be responsible?

Planning direct marketing

Although mail order and telemarketing are hardly new, a growing number of organisations now include these and other direct marketing techniques in their plans for communications and influence. This is because better technology allows for more precise and cost-effective targeting of audiences, and marketers can then adjust messages and timing according to audience needs. Direct marketing costs more than advertising in mass media, yet its interactive quality, selectivity and customisation potential may add enough flexibility to make the difference worthwhile. Just as important, you can easily measure customer response and modify the offer or the communication again and again to move customers in the desired direction and achieve your objectives. Many marketers have found, for example, that outbound and inbound telemarketing activities are extremely effective in achieving campaign objectives, making the investment worthwhile.[14]

In planning direct marketing, first decide what response you want to elicit from the target audience(s), in accordance with your objectives. Many marketers use direct marketing to generate leads for sales representatives; the desired response is to get a potential customer to indicate interest in the product by calling, e-mailing or sending a reply by post. Banks and telecomm companies frequently use direct marketing to attract new customers, bring former customers back and encourage current customers to use more services.

Now you're ready to select appropriate media and formulate an appropriate offer, based on research into the target audience's media and buying patterns. Different audiences and markets require different media and offers. Budget is also a consideration: digital direct marketing is growing more rapidly than door drops and direct mail, in part because of cost.[15] Be sure your direct marketing campaign fits with the product's positioning and allow time in the marketing plan schedule for testing the message and the mechanisms for response (such as a freephone number, URL, e-mail address or postage-paid envelope). One of the advantages of direct marketing is that you can quickly see what actually works and refine your campaign or the overall marketing plan as needed.

Planning public relations

At one time or another, nearly every organisation has prepared news releases, arranged news conferences and answered questions from reporters. Yet media contact is only one aspect of this flexible and powerful tool. You can use public relations not just to convey the organisation's messages, but also to build mutual understanding and maintain an ongoing dialogue between your organisation and key members of the 'public'. Your message has more credibility when conveyed by media representatives or when associated with special events than when communicated directly by your organisation, as noted earlier.

Defining the 'public'

The 'public' in public relations may refer to people in any number of target audiences, such as customers and prospective customers, employees, channel members, suppliers, news reporters, investors and financial analysts, special-interest groups, legislators and regulators, and community leaders. Each of these audiences can affect your plan's success and performance, but not all will be addressed in the same way; in fact, not all may be addressed in a single marketing plan.

In general, you can use PR to achieve one or more of the following objectives:

- *Identify and understand stakeholder concerns*. Through PR contacts such as community meetings, surveys and other methods, you can learn what your stakeholders think and feel about important issues such as your products, image, ecological record and so on. Some companies host or monitor online communities where members of the public exchange ideas and concerns about sustainability and other issues.
- *Convey the organisation's viewpoint or important information*. Knowing your target audience's views, you can adapt your organisation's position if appropriate. At the very least, you can use PR to explain your management's viewpoint or educate the public, both of which are especially vital in the midst of a crisis. Often the company website is the first place your publics will check for news and views, so ensure that you post information and label links accordingly.
- *Correct misperceptions*. If one or more target audiences have misperceptions about some aspect of your organisation – such as the quality of its products – you can plan to use PR to counteract the inaccuracies by providing more information, answering questions and allowing for periodic updates.
- *Enhance the organisation's image*. Many organisations apply PR techniques to enhance their image. If an organisation has been embroiled in controversy, PR can show what management is doing to improve and how it has gone beyond minimum requirements to satisfy its publics.

- *Promote products and brands.* You can use PR to communicate the features, benefits and value of your products and promote your brands. Linking your brand with a special event or a popular sport can increase brand awareness and influence customer perceptions. For example, banking giant HSBC® has sponsored the World Rugby Sevens series since 2011. The objective is not just to reach fans but also to have the brand featured where no competing firms are sponsors. The global head of sponsorship and events explains: 'We want to associate with fast-growing sports in emerging markets that cater to both men and women yet allow us to be quite dominant'.[16] Now that rugby has returned as an Olympic sport, it is attracting new fans worldwide, a plus for its sponsors.

Planning and evaluating PR activities

Your marketing plan may include a variety of PR techniques. One of the most commonly used is the news release, written and distributed to media representatives via printed document, e-mail, weblink or *podcasting* (distributing an audio or video file via the Internet). For more significant news, you may want to call an in-person or online news conference, let media reps hear management speak and hold a question-and-answer session.

Consider whether your organisation should seek publicity through special events or special appearances. Although it's nearly impossible to make a direct link between purchasing and PR, you can plan to evaluate how PR activities have engaged your target audience and how you've moved them in the direction of certain cognitive, affective and behavioural responses. For example, before and after a PR event, you can count how many newspapers and news sites mention your product or brand, determine whether online comments are positive or negative, analyse what commenters are talking about, count how many visitors your website attracts, note how many people buy and what and when they buy, count how many new followers you acquire on Twitter® and count how many viewers your YouTube® video attracts.

Finally, dig deeper to examine what people say about your brand online. Are their comments positive or negative? What other issues are customers discussing online that are important to your product or brand? What can you learn from these discussions that will help you do a better job of engaging customers in dialogue, applying transparency, meeting their needs and influencing how they think, feel and act towards your product?

CHAPTER SUMMARY

Strategies for marketing communications and influence – for promotion – help you engage and influence the thoughts, feelings and behaviour of audiences that are important to your brand. Word-of-mouth and buzz marketing are part of the influence strategies developed by many organisations. Integrated marketing communication ensures that content and delivery of all marketing messages in all media are coordinated and consistent, and that they support the positioning and objectives of the product, brand or organisation. Communications tools include advertising, sales promotion, public relations, direct marketing and personal selling.

The steps in communications planning are to (1) define the target audience, (2) set objectives and budget, (3) consider relevant legal, regulatory, social and ethical issues, (4) select and plan for the use of specific tools, messages and media, (5) plan pre- and post-implementation analysis, and (6) schedule, implement and evaluate the campaign. When planning advertising, consider message appeal, creativity and appropriateness for media, and balance reach and frequency in the context of the budget. Use sales promotion to stimulate faster response from customers or channel members by adding value or reducing perceived cost. If personal selling is appropriate, consider in-person sales, Internet sales or telemarketing. Use direct marketing to build relationships with targeted audiences cost-effectively, with measurable responses. Plan for public relations to foster positive attitudes and an ongoing dialogue with key publics.

A CLOSER LOOK

MARKETING AT HYUNDAI®

Despite strong competition from Toyota and other, larger rivals, Hyundai® is attracting attention well beyond its home market of South Korea, especially in China, Europe and North America. Hyundai® has ambitious goals for stimulating global sales and showcasing its eco-credentials by promoting its expanding portfolio of cutting-edge green vehicles, including the Ioniq® Plug-In and the Ioniq® Electric. The company segments the market for Ioniq® vehicles not by demographics, but by lifestyle and perceived benefits. 'It's for people who want to do something good, live in a sustainable way and also save money', explains the vice president of marketing for Hyundai® in Europe.

Hyundai's® electric vehicles, including the Ioniq®, are backed by an array of marketing communications to reinforce positioning, explain technical innovations, encourage brand preference and build footfall in dealerships. However, the company faces real challenges in communicating the Ioniq's® advantages, because of unusually intense competition from the long-established Toyota Prius®. The Prius® has high brand recognition and is popular worldwide, selling up to 100,000 units every year in Japan alone. Therefore, Hyundai's communications focus not only on the Ioniq's® green engine technology and performance, but also emphasise the Ioniq's® sleek styling, which gives the car a more conventional look than the Prius®.

Premium design at an affordable price is an important point of differentiation for the Hyundai® brand. To gain awareness of design as a brand strength, Hyundai® has sponsorship deals with some of the world's leading art museums, which generates publicity and positive brand associations. It participates in high-profile car shows and sponsors both national and international sports tournaments and events to put new vehicles in the public eye and get audiences thinking about Hyundai's® advantages. Finally, Hyundai® is using the interactivity of digital media to engage and inform target audiences via branded websites, on Facebook®, YouTube®, Twitter, Pinterest®, Snapchat®, Instagram® and mobile marketing.[17]

Questions

1. When Hyundai® uses lifestyle and benefits segmentation to target potential Ioniq® buyers, what are the implications for decisions about advertising messages and media?
2. Of the three sequences of audience responses shown in Figure 9.3, which represents Hyundai's® situation? Explain your answer.

APPLY YOUR KNOWLEDGE

Choose a particular consumer or business product and find two or more advertisements, promotions, coupons, websites or other company controlled communications featuring that product. Analyse the company's communications and influence activities using the questions below, and then prepare a brief oral presentation or written report to explain your analysis.

- What target audience(s) do you think these communications are designed to reach?
- What cognitive, affective or behavioural response(s) might these communications provoke?
- What objectives do you think the company has set for these communications?
- How would you recommend that this firm measure results for the communications you've analysed?
- What legal, regulatory, social or ethical considerations are likely to affect this firm's planning for communications and influence?
- What specific suggestions can you offer to help this marketer do a better job of communicating with, or influencing, its audience(s)?

BUILD YOUR OWN MARKETING PLAN

Consider your communications and influence activities as you continue to develop your marketing plan. What target audience(s) do you want to reach? What are your specific objectives for each audience? What is an appropriate budget, given the available resources, reach and frequency preferences and the chosen tools? Identify any legal, regulatory, social or ethical issues that could affect your communications and influence decisions. Will you use advertising, sales promotion, personal selling, direct marketing and/or public relations – and why? Should you try to stimulate word of mouth to achieve your objectives? Outline one campaign, indicating objectives, target audience, general message and media decisions, approximate budget and method of measuring results, then document your ideas in a written marketing plan.

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10

Planning for digital, social media and mobile marketing

Learning outcomes

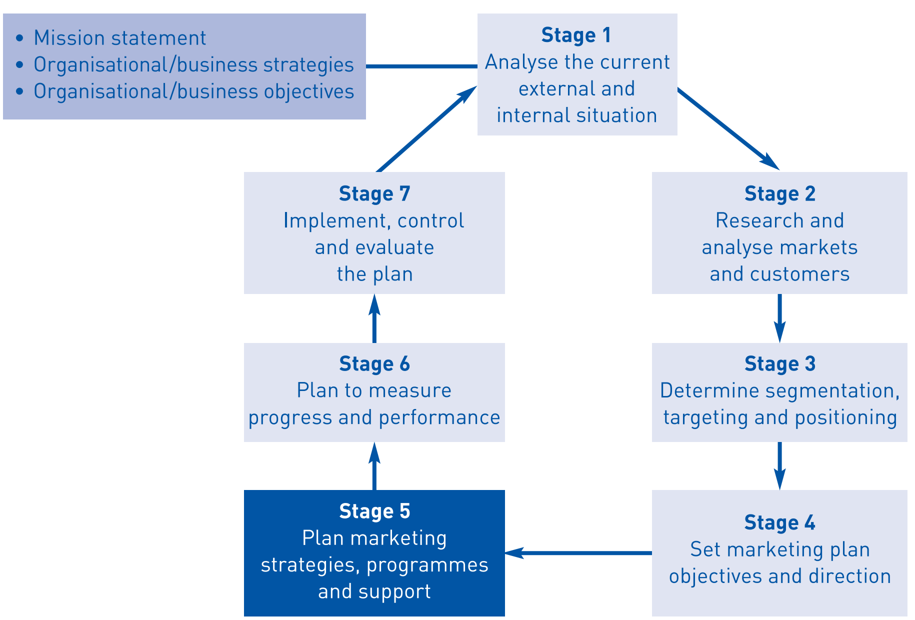
After studying this chapter, you will be able to:

- Discuss the opportunities and challenges of digital, social media and mobile marketing.
- Understand how content marketing can benefit the audience and the marketer.

Application outcomes

After studying this chapter, you will be able to:

- Coordinate digital, social media and mobile marketing with communications and channel activities.
- Plan content for digital, social media and mobile marketing programmes.



CHAPTER PREVIEW

MARKETING AT DOMINO'S®

Domino's® UK (www.dominos.co.uk), which also includes operations in Switzerland and Ireland, has grown to a system-wide total of £877 million in turnover by emphasising digital marketing. Its 930 retail locations bake 85 million pizzas for delivery every year, fresh on demand when a customer calls, clicks, taps or uses any channel to order. Nearly half of all online orders are submitted through Domino's® mobile and tablet apps, because the brand's target market prefers digital communication. Its apps have been downloaded more than 10 million times. Domino's® is extremely active on Facebook®, Twitter®, YouTube®, Snapchat® and Instagram®, posting sales promotions and announcing new products to encourage repeat ordering and brand loyalty.

Because the target market enjoys the convenience and novelty of digital engagement, the company has an Easy Order app for the Apple Watch. Users set up personalised pizza orders, save the delivery address and payment method and then just tap the app to activate an order. Domino's® was the first brand to test Tinder as a way to connect with pizza lovers and it was an early adopter of Snapchat® for marketing communications. More digital marketing is on the way as Domino's® invests in e-commerce and implements social media and mobile marketing campaigns to build revenues and profits.[1]

Not every business will derive more than 75 per cent of its orders from these sources, the way Domino's® does in marketing pizzas for delivery. When planning, the top priority is to understand what the customer likes, prefers and uses, whether it's a website, Facebook® or a mobile app. As the director of communications for UK grocery retailer Sainsbury states: 'I don't care if it's digital- or mobile-first, I want it to be customer-first'.[2] This chapter examines the challenges and opportunities of digital marketing, including digital advertising, websites, e-mail and chat marketing, social media marketing and mobile marketing, part of Stage 5 of the planning process. The checklist in this chapter can help you to plan for content marketing, an important consideration for brands with a digital presence.

Planning for digital marketing

Digital marketing broadly describes any marketing use of online communications and e-commerce sites, including social media and mobile marketing (discussed separately later in this chapter). Worldwide, marketers allocate more than 27 per cent of their marketing budgets to digital activities, and the amount is increasing every year due to the growing size of the online audience on every continent.[3] Digital marketing is versatile and creative, suitable for reaching consumers or business customers and other publics, including prospective employees and possible investors. Figure 10.1 highlights five of the key technologies associated with digital marketing.

Depending on your objectives, three specific areas of digital marketing to consider are digital advertising, website usage and e-mail and chat marketing. With a website or any digital marketing, you also need to plan for content and be aware of legal, ethical and regulatory issues.

Figure 10.1 Key technologies of digital marketing

Digital advertising and ad blockers

Is digital advertising appropriate for your marketing plan? Although digital advertising is growing steadily, it is used more often in some markets than others. In the UK, spending on digital advertising exceeds £8 billion, primarily for paid search and banner ads. In fact, UK marketers tend to spend more on digital advertising than they do on traditional media advertising.[4] At the other end of the spectrum, digital advertising currently represents less than 10 per cent of all advertising expenditures in India.[5]

Depending on your objectives, three main options for digital advertising are:

- *Paid search ads*. Marketers can buy space on results pages from search sites such as Google® and Bing®, to reach people who use specific keywords in their Internet searches. The cost depends on popularity and demand; results are measured based on clicks (among other criteria). Marketers recognise that people searching for specific goods or services are very likely to buy, so paid search is a good way to get a brand into consideration when customers are planning a purchase.
- *Display, banner and pop-up ads*. These ads appear somewhere on or popping up over a page visited by an Internet user. As with many types of display ads, the cost depends on the potential audience and the size/type of the message (text, image, video or a combination). These ads are used to support a targeted communications campaign, or for objectives such as launching new goods or services.
- *Adverts posted online*. Marketers often post their TV adverts on their branded websites and, in many cases, on social media (YouTube® is a good example). This reinforces the message of each advert, extends the reach and encourages viral sharing to build buzz and engage audiences who don't see the adverts on TV. Viral marketing is discussed in more detail later in this chapter. Once the TV adverts have been created, posting online is a low-cost way to expand the audience.

Careful research and analysis of customer behaviour will help you make informed decisions about setting objectives, choosing media, and determining message content and timing. For example, the Unilever® ice cream brand Ben & Jerry's monitored social-media conversations and learned that consumers usually discuss ice cream on Wednesdays, Thursdays and Fridays, before buying on Saturday for weekend consumption. Consumers also tend to consume more ice cream on rainy days than on hot, sunny days, according to Ben & Jerry's research. As a result of these insights, the brand began posting digital banner ads for its ice cream products on Thursdays when rain was predicted for the weekend.[6]

With so many marketers using digital ads, a growing number of Internet and mobile users are installing **ad blockers** to screen out advertising they perceive as intrusive, irrelevant or distracting. This is a challenge not just for advertisers but also for sites that depend on revenue from selling digital ads. Blockers reduce the size of the audiences for ads, which in turn means advertisers won't reach as many people and won't pay as much for their ads. Some sites are asking visitors to turn off ad blockers, and some telecomm providers are giving mobile users the option to block ads.[7] This controversy will continue as consumers seek more control over the digital experience and marketers seek to communicate with online audiences. Therefore, consider the impact of ad blockers on your plans for digital marketing.

Websites and optimisation

A website should be part of every marketing plan. With the World Wide Web approaching its 30th birthday, users expect to see sophisticated, multifunctional websites that are easy to navigate and look good on any size screen (on the wrist, on the desktop or on the wall). Among the latest trends in website design are the use of artificial intelligence to respond to inquiries, diverse content that can be accessed intuitively and extensive libraries of animated and video content to inform and entertain.[8] If a website is the first exposure to your brand, you want to make a good impression and encourage visitors to explore and return. So think about the devices your audience prefers and whether vertical or horizontal orientations are appropriate for your content.

Your plan should take into account **search engine optimisation (SEO)**, the process of modifying content, website characteristics and content connections to improve search engine rankings.[9] Knowing that audiences often use search engines to locate relevant product and brand information, aim to have your online content appear as close to the top of the search results as possible. Through SEO, you determine the keywords, tags and other elements that will help search engines find your site and rank it high in the results listing. This is essential for an effective digital pull strategy: once the audience finds your site, they can get in touch to 'pull' more marketing their way. FedEx® has used SEO to select the keywords that will attract decision-makers from certain businesses and specific business departments. Its SEO experts recognise that transportation managers may search for information online using different keywords than retail managers, for example.[10]

Going further, marketers are applying **search experience optimisation**, that is, optimising the search experience to make it fast and easy to find exactly what's wanted, regardless of the digital device used for the search. A few years ago, Google changed its search algorithms to prioritise mobile-optimised websites amongst search results. This prompted many marketers to reconfigure their sites so that content would look good on small screens, thereby improving their ranking in the search results.[11] Today, given the extremely high adoption of smartphone technology worldwide, all major sites are mobile-optimised to provide visitors with the best possible experience, including being able to complete a purchase. Speed is another factor: Websites that load quickly are usually presented higher in search results.

Content marketing

With a digital presence, you need to plan for content. **Content marketing** is a way for marketers to demonstrate thought leadership and engage or inform customers through a regular schedule of original, branded content (such as blog posts, infographics, newsletters, how-to videos, photos, podcasts, webcasts or webinars). The content benefits audiences by providing information or entertainment, and the marketer benefits by being the source of content that is viewed favourably. More than three-quarters of all businesses include content marketing in their communication plans to build the brand, highlight expertise and encourage customers to request more information.[12] Coca-Cola® approaches content marketing as 'a storytelling engine in the form of a digital magazine that hosts unique and original content about the company – who we are, what we do and why we do it', according to a marketing executive.[13]

Content marketing is especially important in B2B marketing plans. General Electric® produces award-winning content about science, technology and industrial products for a global audience. Just as the brand is known for industrial innovation, its content marketing is also innovative, experimenting with content and platform to tell stories that will resonate with the audience. When GE released a science fiction podcast, it quickly rocketed to the top of the iTunes® charts. If content doesn't attract an audience, GE tries something new. Not only has GE become a leader in content marketing, it is using this technique to differentiate itself from competitors and to reinforce a distinctive position in stakeholders' minds.[14] Non-profit groups are increasingly using content marketing, particularly videos, to support fundraising efforts and to educate the public about issues and causes.[15]

If you target consumers, plan for content that's not only engaging and informative plus, if appropriate, make it entertaining. The luxury fashion brand Kate Spade® recently cast several well-known actresses as characters in a series of light-hearted 'webisodes'. Branded products played a role in these short lifestyle videos, which Kate Spade® presented as entertainment rather than as traditional advertising. The series was launched using print ads and online ads, as well as through social media marketing, giving the series a name in hashtag form, #missadventure. As each new video in the series aired, Kate Spade® tracked views and learned that the audience was getting larger over time.[16]

Fresh content will bring visitors back to the website again and again, which is why Kate Spade®, GE and others plan for new posts at regular intervals. They also analyse the results to determine whether their content marketing is achieving the desired results. For example, they examine the size of the audience for each post and look at behaviour to understand what audiences do next (such as clicking to request more information or to see other content on the same website). For evaluation purposes, they analyse the amount of time each visitor spends with the content, how many times visitors access each post and any feedback from visitors about the content.

Use this checklist as you prepare for content marketing.

ESSENTIAL CHECKLIST NO. 17
PLANNING FOR CONTENT MARKETING

Content marketing is increasingly important for reaching customers, decision influencers and stakeholders of business, government and non-profit groups. When you plan for content marketing, think in terms of a campaign rather than a one-time post, and keep your audience in mind.

- ☐ What is the objective for this content marketing campaign, and how will results be measured?
- ☐ Who, specifically, is the target audience? Can this audience be reached via digital, social media and/or mobile marketing?
- ☐ What content is relevant to audience members, and when during the buying process would they be most interested in elements of this content?
- ☐ How can content marketing be used to enhance the brand's image, or for competitive advantage?
- ☐ Who will create the content, and how often will new content be made available?
- ☐ What kinds of content (such as images, video and/or text) are appropriate for the audience and the brand?
- ☐ How will the audience be directed to the content (via hashtags, keywords, advertising or links on other websites or media, for example)?
- ☐ How will the audience be invited to offer feedback about the content?

E-mail and chat marketing

E-mail remains a vital marketing tool for maintaining relationships with people who subscribe to a brand's e-mail newsletter or consent to receive commercial messages. This form of digital marketing has the advantage of personalisation, with content and offers for a particular customer segment and for individual customers; plan for it in conjunction with a website or other digital marketing.

To encourage recipients to read further, you'll need a brief, to-the-point subject line with a sense of urgency and a bit of personality, whether the message is about new products, a special price or something else of interest to recipients. Some audience members will read your e-mail on a mobile screen, so test the appearance and avoid lengthy messages that require a lot of scrolling. Time your messages to arrive when the audience would be most receptive. Most important, include a 'call to action' – what you want the recipient to do as a result of reading the message, such as click to buy, request more information or click to obtain a discount voucher.[17]

E-mail marketing should be scheduled as an ongoing series of communications with customers. One study of successful e-mail marketing by North American retail websites revealed that one-quarter of customers will make a purchase if they receive a discount offer in the initial welcoming e-mail. The same study found that all of the best-performing websites sent an initial e-mail within five minutes of the customer signing up, knowing that the recipient is waiting for the discount code. Subsequent e-mails can be used to introduce the brand's social media channels, highlight new products and call attention to the brand's points of competitive differentiation.[18]

Burberry® and Cartier® are among the luxury brands that find e-mail an effective way to communicate with customers, present new products and reinforce brand loyalty. Burberry® varies the content of each message and includes 'call to action' links for buying featured products and collecting purchases in the store. Cartier's e-mails include 'call to action' links suggesting that recipients book a personal appointment to view jewellery products. Both marketers plan campaigns in advance to coordinate e-mail with other communications in digital and traditional media.[19] Finally, plan your e-mail marketing with specific objectives in mind, and establish standards for measuring the results.

Chat marketing is increasingly popular. Here, a marketer might send a text or Facebook® message directly to consumers who have requested messages, with an offer of the day or a special deal of interest. The Chinese Internet giant Tencent® is a pioneer of chat marketing, using its WeChat® service to enable both conversations and e-commerce. The US e-commerce company ReplyYes uses daily chat texts to market vinyl records and graphic novels. Customers can buy by simply replying 'yes' to the offer.[20]

Legal, ethical and regulatory issues

As part of your environmental scanning, examine applicable legal, ethical and regulatory issues that could affect your use of digital marketing. For instance, some industries impose self-regulation on product communications in digital and social media. The European Union has strict rules about the personal data that websites may collect and how data may be shared. Retailers must first obtain permission before gathering customer data, sharing or selling it and using it for store marketing purposes. Companies must delete personal data after a set period, and they are forbidden to send personal data collected in the European Union to countries without equally strong privacy laws. EU rules require companies to obtain parents' consent for tracking the online activities of children who are 13 years old or younger.[21] Such concerns about collection, storage, use and disclosure of personal data continue to make privacy a challenging issue for marketers that use digital and social media.

Another key issue is transparency about sponsorship of a digital or social media post. In the UK, the Advertising Standards Authority requires any paid commercial content to be clearly labelled. Recently, the ASA banned an Instagram® video featuring a reality TV star and a well-known beverage brand. The ASA ruled that the content was not adequately labelled as a sponsored commercial, even though the caption included the brand name and the hashtag #sp (meaning 'sponsored').[22] Not every country mandates disclosure of sponsored posts, but transparency is good ethical practice. In general, know the rules for each market when you plan for digital marketing.

Planning for social media marketing

Social media – such as blogs, social networking sites and video- and photo-sharing sites – facilitate user interactions of posting, exchanging and commenting on content. New social media continue to emerge, seeking to become the next Facebook® or Twitter®. Some follow a fad life cycle, becoming wildly popular before trending downward as a new platform gains strength. Others attract and retain large numbers of loyal users to become established, sometimes in one geographic region or even worldwide. In China, for example, top social media networks include WeChat®, Weibo® and Qzone®.

Social media marketing is the use of social media technologies, channels and software to achieve marketing objectives such as increasing brand awareness, strengthening customer relationships, and maintaining dialogues with customers and other publics. It covers marketing through social communities (such as business-to-business interactions on LinkedIn®), social publishing (such as brand-relevant videos posted on YouTube®), social commerce (such as discounts offered through Twitter® or product ideas shared via Wanelo®) and social entertainment (such as sharable music or product placement in games on Facebook®).[23] Not all social media are appropriate for all objectives or audiences, so learn more about your target market's preferences before you plan. Table 10.1 shows examples of how marketers are using social media marketing for a variety of objectives, such as building relationships and introducing products.

Table 10.1 Social media marketing

Social medium	Examples of marketing use
Blog	UK retailer John Lewis has a fashion blog to promote new styles. Japanese car manufacturer Toyota® has a blog to announce new products in Europe and to provide updates on green initiatives such as electric-car charging stations
Microblog	Toyota® has a Twitter® account for Europe where it posts content about vehicle development, product introductions, green marketing and more
Photo sharing	Lorna Jane®, an Australian marketer of active wear for women, uses Instagram® to post images of products in use to inform and inspire the firm's target market
Social community	Internal: UK retailer Asda encourages a sense of community with 'The Green Room', a blog by and for the retailer's employees, featuring photos and videos External: Harley-Davidson® sponsors online communities for motorcyclists, including segments such as women and Latinos, to help enthusiasts connect with each other
Social networking	Panasonic® maintains Facebook® pages for different countries where it does business to encourage interaction with local brand fans
Video sharing	Comic Relief is active on YouTube®, Tumblr and Instagram, posting professional and consumer-generated videos to raise money for charity

As discussed in **Chapter 3,** marketers often identify opinion leaders with large social media audiences and arrange for these people to sample brands and products. The purpose is to encourage these social media stars to share their reactions within the influence network, which in turn can have an effect on consumers' attitudes and behaviour.[24] One study found that millennials are more influenced by endorsements from leading social media personalities – especially those seen as part of their peer group – than they are by celebrity endorsers.[25] Social media stars with a large following can not only boost an established brand, they can even launch their own brands, as Michelle Phan and Huda Kattan have done with beauty products.[26]

Because posts and comments constitute two-way communication between brands and stakeholders, offering numerous opportunities to listen and respond, this is a growing area of marketer investment. Every major brand now includes social media icons on its website, inviting visitors to join or continue the conversation in words or images using Facebook®, Twitter®, Pinterest® or other social networks. Marketers can create a unique **hashtag** for each campaign or marketing event by combining the **#** symbol with an identifying phrase such as #RedNoseDay, to facilitate conversations within and across social media.

When planning for social media marketing, take into account the control of conversations and the possibilities for viral marketing.

Control of conversations in social media

Unilever's® chief marketing officer observes that 'brands are now becoming conversation factors where academics, celebrities, experts and key opinion formers discuss functional, emotional and, more interestingly, social concerns,' adding: 'Of course, the conversation is no longer one way or 30 seconds.'[27] Marketers, including businesses and non-profit groups, can certainly stimulate social-media conversations and encourage sharing of content and airing of concerns. However, they are not in control of what consumers post on social media, whether the posts are positive, provocative or negative. As a result, because social-media posts aren't controlled by marketers, these messages usually have higher credibility than marketer-controlled content.

Some marketers are using social media to create or facilitate the formation of online communities devoted to discussing specific brands or subjects. Not long ago, Tesco Bank® built a social community platform for financial services and encouraged the public (customers and non-customers) to post questions and share ideas with each other. 'It's helping us be seen as a more approachable bank,' says the bank's head of digital marketing. Also, paying attention to conversations within the community helps Tesco Bank® to understand its customers' needs and demonstrate responsiveness. For example, after noticing an increase in conversations about mobile payments, the bank decided to make implementing this technology a high priority.[28]

Brands and causes are happy when consumers click to 'like' – a preference signal that adds credibility and signals identity[29]– yet they must be transparent and willing to accept some online criticism and complaints along with praise and questions. How should you respond if you notice negative comments about your brand on social media?

MARKETING IN PRACTICE
RESPONDING TO NEGATIVE SOCIAL MEDIA COMMENTS

Complaint posts on social media are eight times more numerous today than they were only 18 months ago. The head of social media for Coca-Cola® emphasises the need to listen and respond to negative comments: 'We're getting to a point if you're not responding, you're not being seen as an authentic type of brand.'[30] By responding to negative comments, brands have an opportunity to engage stakeholders, minimise the downside risk and demonstrate commitment to transparency, satisfaction and positive values.

Experts suggest preparing for negative posts in these ways:

- *Have a plan.* Negative comments are inevitable. Decide who in your organisation should be responsible for researching problems to find solutions and who should be responsible for posting responses to negative posts.
- *Post calmly and quickly.* Acknowledge the complaint in your initial response. Even if your post explains that you're working on the problem, you should respond quickly and respectfully to show that you're listening and care enough about customer satisfaction to follow through. If you wait, negative comments may gain momentum.
- *Engage.* Determine whether the comment is an isolated incident or might be part of a larger problem. Consider asking the person to provide details (privately) so the situation can be investigated. If your good or service has a quality problem, you'll want to know sooner rather than later. Express appreciation for customers' input.
- *Be sincere.* Offer a sincere apology when appropriate. Show that your brand gives all comments, negative and positive, serious consideration. Every brand can improve, and every brand should learn from mistakes.
- *Post again.* Post about solving the problem in the same social media platform as the original complaint. You'll earn respect and you may even win more brand fans.[31]

Marketing plan analysis:

Should a brand apologise even when the customer is at fault? Explain your answer and the implications for brand image and attitudes.

Viral marketing

Viral marketing occurs when marketers encourage social-media users to share content such as YouTube® videos with friends. Whereas traditional advertising is marketer-generated and marketer-controlled, with the message moving in one direction (towards the customer), viral marketing is not marketer-controlled. Consumers themselves pass along links in every direction, and some of the people who receive these links will post comments and share with their networks, meaning the reach of the message is completely out of the marketer's control. The main opportunities and challenges of viral marketing are summarised in Table 10.2.

Table 10.2 The opportunities and challenges of viral marketing

Opportunities	Challenges
• Sharing can increase the size of the audience for the content	• Lack of control over who shares the content, whether it is shared at all and any comments about the content
• Sharing can enhance brand awareness and encourage positive attitudes	• Unpredictability of when and how content is shared
• Content shared by peers has more credibility and may be more influential than marketer-controlled sources	• Unpredictability of the size and composition of the audience that will see viral content

Viral marketing can be generated for a variety of brands and causes, although sharing may not be as widespread for content related to utilitarian products.[32] Video ads posted online are more likely to go viral when there is a roller coaster effect in advert likeability, ending with likeability.[33] PepsiCo® had a viral hit when its ad agency created a special branded advert for the Chinese market, to celebrate the Year of the Monkey. The six-minute video, posted on Tencent® and other social media sites, told the inspiring story of a performer training to play the challenging role of the Monkey King. The video struck a positive, nostalgic chord with the audience, reminding them of a popular 1980s Chinese TV show. Within a week of being posted, the video attracted more than 15 million views – and boosted sales of the limited-edition cans of Pepsi being marketed for the New Year.[34]

Knorr® (www.knorr.co.uk), like Pepsi, has been successful in encouraging viral sharing of its online adverts by featuring uplifting, emotional story lines about the role of food in life.

MARKETING IN PRACTICE
KNORR®

The Knorr food brand, which was first used in 1838, has been part of the Unilever® portfolio since 2000. Every time a new product is introduced, the TV advert is posted on the Knorr website and on YouTube®, where the brand channel has thousands of followers. Knorr is also active on Pinterest®, where its chefs post food photos, and on Facebook®, where its 12 million fans check the latest recipes and learn about new products and videos.

In 2015, Knorr had a viral success with an online video titled *Flavour of home,* about how a daughter's work took her far from home and her beloved mother's cooking. The advert ended with the mother at her daughter's home, secretly cooking favourite foods to surprise the daughter. Knorr posted this advert on YouTube® in several languages and ultimately attracted more than 100 million viral views, along with comments including the campaign hashtag #flavourofhome.

In 2016, Knorr created another advert video linking food and emotions, targeting millennials. Conducting research among 12,000 people worldwide, Knorr marketers learned that

78 per cent of respondents would be more attracted to a romantic partner who enjoys the same flavours. Based on this research, they created and posted an interactive tool to match people based on flavour preferences. Then they filmed unmarried strangers feeding each other foods they both liked. The result was the viral video *Love at first taste.* Two people who met in the video soon began dating and posting about their relationship, which added to the viral buzz using the hashtag #loveatfirsttaste. A senior Knorr executive says the video's objective was to 'deepen consumer engagement with the brand, and maybe even reach out to people who weren't aware of us or might not have considered us'.[35]

Marketing plan analysis:

How would you recommend that Knorr extend the viral success of its videos into other marketing activities?

Planning for mobile marketing

Every marketer should consider how the rapid global adoption of mobile devices, including tablet computers, smartphones and smartwatches, will affect future marketing plans. By one estimate, 8 billion mobiles are in use worldwide – a number that exceeds the earth's total population.[36] South Korea has the world's highest concentration of smartphone users, while nations in Africa have the lowest concentration of smartphone users. In nearly every country, millennials are more likely than any other age group to own a smartphone, making mobile marketing a targeted way to reach this important segment.[37]

Of course, your website, e-mail marketing, digital advertising and social media marketing activities can and should be optimised for mobile users. Plan content so that customers don't have to wait for content to load, or need to scroll or swipe repeatedly to view everything. Going further, should your marketing plan provide for the use of mobile apps (including mobile payment), QR (quick response) codes or location-based marketing systems? Be sure to research customers' needs and preferences. Also understand attitudes towards privacy and security in relation to mobile marketing, as well as any applicable legal and regulatory requirements.

Mobile apps and mobile payments

Domino's® has had remarkable success marketing via its pizza-order app, as discussed in the chapter opener. Mobile apps are a growth area for marketing, as businesses look for ways to differentiate their brands and strengthen connections with customers. Branded apps enable companies to be part of the customer's mobile experience, ready to provide information and service with a tap. That's why retailers like IKEA® (international locations), John Lewis® (UK), Ocado® (UK), Zara® (international), Take a Lot (South Africa), Amazon® (international) and many other marketers provide branded apps for browsing and shopping convenience.

Starbucks® (www.starbucks.com) encourages repeat purchasing and brand loyalty through the use of apps that speed customers through routine transactions.

MARKETING IN PRACTICE
STARBUCKS®

The Starbucks® mission is: 'To inspire and nurture the human spirit – one person, one cup and one neighbourhood at a time'. With £19 billion in annual turnover, the company operates thousands of cafés worldwide, where customers can relax with coffee, tea and snacks. It's also a leader in branded apps, which encourage repeat visits and boost brand loyalty by making purchase transactions simple and speedy.

Eight million times every month, Starbucks® customers use the 'Mobile order and pay' app to place an order in advance, pay at the café by aiming their mobiles at a QR code and pick up the order without standing in a queue. Already, more than 25 per cent of the purchases at Starbucks's US cafés are completed via this branded app. Just as important, the amount of money spent on each app-based order is higher than non-app order transactions. Personalised recommendations for snacks or beverages, soon to be introduced within the app, are likely to further increase the amount spent on app-based transactions.

Now available in Europe, Latin America, India and Asia, the app is 'one of our core strategies', according to Starbucks's chief digital officer, enhancing the customer's experience and deepening relationships with the brand. In the near future, 50 per cent of purchases at its cafés could flow through this branded app. A bonus for customers is that the app is linked to the Starbucks® buyer rewards program, so every purchase goes towards qualifying for future rewards. Looking ahead, Starbucks® may benefit from the app in another way: Other retailers have made inquiries about paying to license or adapt the app for their commercial use.[38]

Marketing plan analysis:

Should Starbucks® agree to license its app to other restaurants or retailers? What about licensing the app to direct competitors? Explain your answer.

The Starbucks® app is only one of a dizzying set of choices facing consumers who are interested in mobile payments. Consumers can also download apps that let them pay with a tap at many different stores and restaurants. Apple® Pay (for iPhones®), accepted as payment at major firms such as McDonald's and Boots®, attracted more than 2 million users during its first two years. Samsung® Pay (for Samsung® mobiles) began in South Korea and has since expanded to other parts of Asia as well as North America. Google has its own Android Pay® (for Android-system mobiles), accepted at a growing list of major retailers and restaurants.[39] How do apps and mobile payment possibilities fit into your marketing plan?

QR codes

There are numerous marketing uses for QR codes, which can be scanned and decoded by smartphone users to lead to online sources of content. For example, the Spanish city of Santander promotes the use of QR codes for the convenience of residents and travellers. At bus stops,

Figure 10.2 QR code example

QR codes link to information about schedules and routes, while QR codes in store windows lead to websites with details about hours, products and more.[40] Moncler®, an Italian-French marketer of luxury outerwear, labels its clothing with special QR codes so that shoppers can authenticate the products and avoid buying fakes.[41] Figure 10.2 shows the QR code leading to the companion blog for this *Essential Guide to Marketing Planning* text.

Although QR codes are not new technology, they may have some value for your customers and for your competitive positioning. Can they help you communicate product details or special offers at your place of business, on a product label or with your advertising? What frequently asked questions could be answered by content linked to a customer-accessible QR code? Would a QR code help engage the target market by providing access to exclusive content like 'behind the scenes' videos?

Location-based mobile marketing

Mobile marketing is increasingly popular because it enables marketers to communicate offers based on the customer's current location, such as being in a shopping area or near a restaurant. Some mobile marketing operates via *beacon* – a low-energy chip placed outside or inside the store that detects the mobile's Bluetooth® and responds with an alert about promotions, if the mobile user has agreed to such communications. On Regent Street in London, beacons installed by Burberry®, Hamleys® and dozens of other stores now send promotional messages to the mobiles of shoppers walking past the stores.[42]

CVS Health, a US-based drug retailer with 7,600 stores, uses beacons to identify customers inside stores via their smartphones, with permission, and sends personalised reminders to collect prescriptions. The idea is to communicate precisely when and where customers want the messages and can act on them. 'Our clear focus with beacons is to engage our customers in a meaningful way, with messages and services they need – versus just another marketing channel to push coupons and offers', says CVS's chief digital officer.[43]

Another approach to mobile marketing is the use of *geofencing*, which means targeting mobile users within a certain geographical area and then sending promotional messages (again, with permission). The idea is to attract the attention of customers as they near a business location and communicate an offer to influence behaviour, such as looking at a particular product or ordering a menu item. In one Pizza Hut® geofencing campaign, mobile users who were walking or driving within one half-mile (0.8 kilometres) of its restaurants received a text message with a special offer. This campaign was highly efficient, because messages went only to consumers who were approaching a Pizza Hut® restaurant. The result: Pizza Hut's® response was 2.6 times higher than the response from web-based display ads.[44] So as you prepare your marketing plan, explore the various ways you might use mobile marketing to reach and influence your target market.

Privacy, security and legal issues

As convenient as location-based marketing and mobile payments may be, these technologies involve privacy and security concerns. One study found that wireless carriers and mobile telecom companies are tracking, with permission, a large percentage of UK mobile users as they access phone networks and WiFi systems. In general, privacy advocates worry whether mobile users are actually aware of company policies and whether users' details are completely secure from theft. Surveys indicate that most UK and US smartphone users don't want advertisers to collect personal data.[45]

Be aware that current laws and regulations place some restrictions on data collection and sharing, limits that vary from country to country. EU rules are being tightened, for example, with new guidelines for disclosures, data breaches, the 'right to be forgotten' and other issues.[46] That's why you'll need to research the rules and develop policies for wherever you plan to market.

CHAPTER SUMMARY

Digital marketing describes any marketing use of online communications and e-commerce sites, including social media and mobile marketing, to reach target audiences. Digital advertising includes: (1) paid search ads; (2) display, banner and pop-up ads; and (3) TV adverts posted online. One challenge is increased use of ad blockers to screen out digital ads. Websites should be optimised to appear in search results and to function properly on different devices. Through content marketing, a firm can demonstrate thought leadership and engage or inform with original, branded content that customers value. E-mail continues to be an effective tool for maintaining relationships with customers and other publics, and chat marketing is becoming popular. For planning purposes, examine applicable legal, ethical and regulatory issues that relate to the firm's use of digital marketing.

Social media marketing is the use of social media technologies, channels and software to communicate with customers and other publics and achieve marketing-plan objectives.

Although marketers can initiate social-media conversations and encourage sharing of content, they are not in control of social media comments and sharing. For transparency and authenticity, marketers should read and respond respectfully to negative social media posts. Viral marketing, which is not marketer-controlled, occurs when social-media users share content with friends. Mobile marketing plans may include apps and mobile payments, QR codes and location-based marketing technologies. Privacy and security are two major concerns about mobile marketing techniques, which come under different laws and regulations in different markets.

A CLOSER LOOK

MARKETING AT DOMINO'S®

The marketers at Domino's® UK know that millennials and other pizza lovers are constantly checking their messages, mobiles, social media accounts and the web to stay connected with friends, family, colleagues and the world. Domino's® wants to be involved in all the technologies that engage its customers. If customers are playing a game on the Xbox® console, they can order a pizza delivery by waving their hands or tapping the Domino's® button. If they're sending messages on Snapchat, they can watch a Domino's® video and get a discount voucher for pizza delivered to home or office. If they're checking the time on an Apple Watch, they can tap the Domino's® app and order delivery of their favourite pizza. If they're tweeting, they can watch for hashtags promoting pizza discounts.

Domino's® acquires and retains customers through digital marketing, and it enjoys a higher frequency of orders through digital channels than through traditional channels. It also builds buzz through online branded initiatives such as Pizza Legends. This started with a website where customers can digitally create a personalised pizza, name it, share a video, order the special pizza and compete for recognition in the firm's Pizza Legends Hall of Fame. The buzzy nature of personalised pizza led customers to chat up their unique creations on social media, achieving the firm's brand awareness and preference objectives. Just as important, Pizza Legends led to customers ordering additional pizza toppings to try new combinations, which achieved the firm's financial objectives.

Few brands are as strong or as consistent on social media as Domino's® UK, which has more than 1 million Facebook® likes, 265,000 Twitter followers and millions of YouTube® views. The company's marketers appreciate the creative flexibility of social media, and the ability to quickly initiate or change campaigns. They can easily monitor reaction to Facebook® promotions and expect that newer digital alternatives will soon provide effective tools for tracking campaigns and evaluating results. Meanwhile, Domino's® continues to think in terms of digital marketing as it invests in communications to support brand-building and sales increases.[47]

Questions

1. The Pizza Hut® restaurant chain has tested geofencing to send offers to customers who are near its restaurants. Should Domino's® test geofencing for pizza delivery? Why or why not?
2. Would you describe Pizza Legends as content marketing? Explain your answer.

APPLY YOUR KNOWLEDGE

Select a well-known brand (such as Knorr®, Starbucks® or Domino's®) and explore its website via (1) a laptop or desktop computer and (2) a tablet or mobile, noting the differences in how the site loads and looks. Look carefully at the digital content as you answer the following questions in a brief oral or written report.

- How is the content organised? For example, is the content identified as being for a particular customer segment (such as men or women) or for people with specific interests (such as cooking or sports)?
- Does the site offer special content for customers who have registered or who are members of a rewards club?
- Does the site include display or pop-up ads? How do those ads seek to influence the audience's cognitive, affective or behavioural response?
- Look for the privacy policy. Does it clearly explain what information is collected from the site and how the data might be used?
- Does the site show social media links in a prominent position?
- What two suggestions can you offer to help this brand use digital media, social media or mobile marketing to influence its target market?

BUILD YOUR OWN MARKETING PLAN

Review your market research, look at your objectives and examine your communications plans as you consider how to include digital, social media and mobile marketing. Would keyword search ads be a cost-effective way to attract buyers? Which websites (such as entertainment sites) might be appropriate for display or banner ads to reach your target market, and what schedule would be best? What content is appropriate for your brand and objectives, given your competitive situation and market positioning? Would your target market be interested in receiving e-mails from your brand and, if so how often would it like to receive them? How can you use social media marketing to increase brand awareness, engage your customers and encourage viral sharing of branded content? What about the use of mobile or chat marketing? Finally, what legal, regulatory, privacy or ethical issues apply to your plan? Write your decisions and ideas into your marketing plan.

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11

Supporting the marketing strategy

Learning outcomes

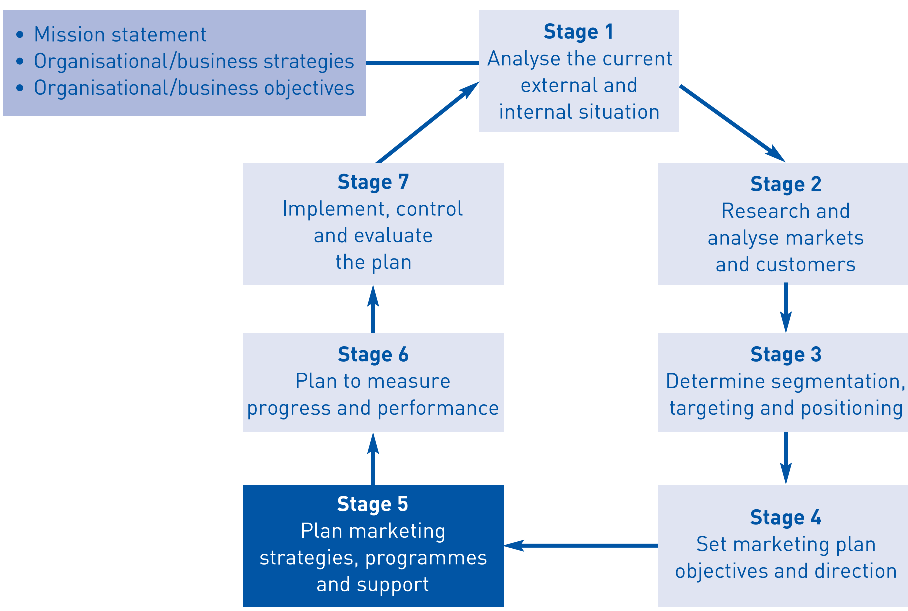
After studying this chapter, you will be able to:

- Explain why a marketing plan should include customer service and internal marketing strategies.
- Understand planning for customer service and internal marketing.

Application outcomes

After studying this chapter, you will be able to:

- Plan for customer service to support the marketing plan.
- Plan for internal marketing to support the marketing plan.



CHAPTER PREVIEW

MARKETING AT METRO BANK®

London-based Metro Bank® (www.metrobankonline.co.uk) sees friendly, efficient customer service as the key to competing with much larger, long-established high-street banks. When Metro opened its initial UK 'store' (branch) in 2010, it was the first new British bank to open its doors in more than a century. Unlike traditional banks, Metro Bank® keeps its spacious stores open seven days a week, closing only on Easter, Christmas and New Year's Day. It operates a 24/7 call centre and offers 24/7 banking online and via mobile app for customer convenience. In contrast to traditional bank branches, Metro Bank's stores are bright with colour and offer children's activities and lollipops for all. Even dogs are welcomed, with water bowls and treats in every store. Most important, Metro Bank® can help customers open a current account in just minutes and provide personalised service when and where needed.[1]

Responsive service with a smile can be a very powerful point of differentiation, as the marketers at Metro Bank® understand. The bank provides good service around the clock to its growing customer base, and it uses internal marketing to establish a strong foundation for knowledgeable customer service and future growth. In this chapter covering Stage 5 of the marketing planning process, you'll learn about planning for the vital support role of customer service and internal marketing. Use this chapter's checklist as you work on your ideas for customer service support.

The role of customer service and internal marketing

Metro Bank's® marketing plan delineates its decisions about product (which financial services products to offer), price (how much to charge), channels and logistics (such as the location of new bank stores) and communications and influence (how to connect with and affect the attitudes and behaviour of customers). All of these marketing decisions are vital, yet they must also be supported by quality customer service to provide the special value its brand represents to buyers.

From the customer's perspective, good service is an integral part of the experience of dealing with a product or brand. In fact, consumers surveyed by the credit-card company American Express® said they'd be willing to pay *more* for better service. More than half of these consumers said they'd decided against a particular purchase because of poor customer service. More than half of the respondents to a study by Xerox® indicated they would pay more for better service from their preferred brands. Despite automated methods for customer service delivery, personal contact – by phone or in person – remains popular in Europe and the US.[2] No wonder Metro Bank's® stores are open seven days, with convenient evening and weekend hours.

From the marketer's perspective, customer complaints are not annoyances but opportunities to identify areas for improvement. Unsatisfactory and inconsistent customer service quality can hinder your ability to achieve marketing plan objectives, even if you've targeted carefully and planned creative marketing activities. As you know from your own experience, people often tell others (verbally, online or via social media) about incidents of good or bad customer service, generating positive or negative word of mouth that can help or hurt a product or brand image.

Outstanding service can generate positive buzz and attract new customers for new or established brands alike. As an example, consider Apple®. Retailing and computers are exceptionally competitive industries, yet Apple's stores are known for providing quality service and technical support, which keeps customers loyal. Not long ago, Apple® stores changed the Genius Bar configuration to allow a more personalised experience by having service experts and customers sit side by side.[3]

As Figure 11.1 indicates, planning for customer service supports the marketing effort outside the organisation and is, in turn, implemented with the support of the internal marketing strategy, which focuses on people and processes inside the organisation.

Marketing applications of customer service

Depending on your marketing plan, good customer service may be part of your positioning or inherent in your marketing strategy for building customer relationships and achieving the objectives you've set.

Customer relationships

Consider how customer service can add value to start or strengthen customer relationships, helping you to compete more effectively. Good customer service is as important in the online world as it is in any other marketing situation. These days, most manufactured goods can't be marketed without attention to basic service support (such as ensuring that orders are delivered when and where promised). Retailers often use superior service as part of their marketing strategy.

The London department store Harrods® tailors customer service for particular customer groups, a competitive strength. For example, to serve affluent shoppers from China, it has hundreds of Mandarin-speaking employees on its staff and its in-store restaurants offer

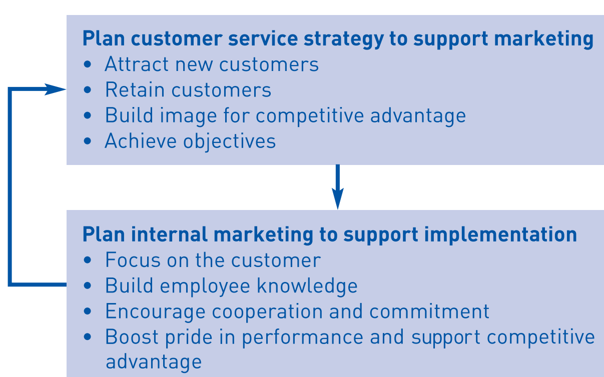


Figure 11.1 Customer service and internal marketing

Chinese meals. Harrods® also created an Android app in Mandarin to provide in-store information and installed equipment to facilitate Chinese credit-card purchases. These and other service extras have attracted many more Chinese tourists to Harrods® than in the past – and dramatically increased sales to these shoppers.[4]

Remember, customers have many choices, so a reputation for good customer service can tip the balance when a consumer or business is deciding whether to buy from you. If current customers remain loyal, you'll need fewer or less expensive customer acquisition programmes to meet your marketing objectives. Moreover, not having to fix a service problem saves money, which can help you to achieve your financial objectives.

Marketing plan objectives

To attain objectives such as increasing market share and enhancing brand image, look for ways to leverage good customer service as a competitive strength. Audi's® UK dealers are doing this and making service more personal at the same time. When customers bring cars for maintenance or repairs, the Audi® dealers offer the option of communicating with repair technicians online, rather than having to wait in the showroom or be contacted later by phone. Technicians video the problem areas on an owner's car, record narration to explain the situation and upload the video to a password-protected site, along with the estimated repair cost. Customers receive a text message alerting them that the video is ready; after viewing, they can approve or reject the repair proposal, or call for more information.[5]

Also consider how to use special customer services to increase sales in specific target segments or markets. Quality customer service can help you to defend market share against competition and establish or maintain strong ties with channel members. It will also be a particular priority if your objective is to retain or attain the role of market leader. Government agencies and municipalities need good service to satisfy citizens and attract businesses and investment.

Marketing applications of internal marketing

Good customer service – and, in fact, effective implementation of the entire marketing plan – depends on **internal marketing**, a carefully coordinated set of policies and activities designed to build internal employee relationships and reinforce and reward internal commitment to the marketing effort and to good customer service. At the very least, internal audiences need advance notice of new promotions, new products and other marketing activities so that they are prepared when customers respond.

On a larger scale, planning for internal marketing covers decisions about hiring and training managers and employees, motivating and rewarding them for working to satisfy customers, and communicating with them about marketing plans and performance. In short, robust internal marketing lays the foundation for implementing your marketing plan and delivering good, consistent customer service.

You can use internal marketing to accomplish the following:

- *Focus on the customer*. Some employees in functions with little customer contact – such as finance or human resources – may get caught up in the daily pressures of work and lose their customer focus. Internal marketing is a good way to refocus on the customer and remind employees that their performance is essential for implementing plans that serve and satisfy customers.

- *Build employee knowledge*. Be sure employees at every level know at least the general outline of the marketing effort, are informed about the needs and expectations of targeted customers and understand what the organisation wants to achieve. This knowledge gives them the background they need to serve customers and solve any service problems. Dulux®, which markets paint through UK do-it-yourself stores, offers sales representatives a week-long course in painting and interior decoration so they can better advise their retail customers about specific techniques.[6]
- *Encourage organisation-wide cooperation with and commitment to the plan*. Success really is in the details. If your employees don't understand the plan or resent it, they may not give its details their proper attention, let alone implement every tactic to full effect. Manufacturing, finance and all the other departments must cooperate with marketing to achieve the objectives. Marketing also needs the support of senior management. Use internal marketing to build relations inside the organisation and encourage commitment among those responsible for approving the plan and making it succeed through implementation.
- *Boost pride in performance and support competitive advantage*. Internal marketing can increase employees' sense of involvement and boost their pride in performing over and above expectations. Marketing expert Kevin Lane Keller says that internal marketing encourages employees to feel they're responsible for the brand and consider what they can do to improve the customer's experiences with the brand.[7] This commitment and high performance enables the brand to sustain its competitive advantage.[8]

The next two sections highlight how you can plan for customer service and for internal marketing as you prepare your marketing plan. Many of the examples are from service businesses, but the customer service ideas can be adapted for many situations.

Planning for customer service

Knowing what your customers want and value, you face process decisions about how to make the customer service experience as pleasant as possible. You also face outcome decisions related to whether the customer service is delivered on time, as promised and in a satisfactory manner. Your customers will be dissatisfied if they receive the promised quality of service but find the experience of arranging for it tedious or inconvenient. Meanwhile, customers who are satisfied with both the process and the outcomes are likely to become loyal. Ryanair® learned first-hand that better customer service translates into higher revenues and profits when it launched its 'Always getting better' initiative in response to customer complaints. Now the airline is attracting and satisfying many more passengers, and its service improvements are generating positive word of mouth.[9]

The specific process and outcome decisions that you will make depend on your objectives, marketing strategies, resources and capabilities. You must also consider what levels of customer service you will promise and be able to deliver, including whether self-service is appropriate, decide on the type of customer service you will offer before, during and after a

Table 11.1 Key customer service strategy decisions

Decision	Purpose
Process	To create a satisfactory experience for customers who expect or require service delivery
Outcomes	To deliver service on time, as promised and with the expected result for customer satisfaction
Timing	To provide needed service before, during or after a purchase
Service recovery	To handle complaints, fix lapses in service delivery, anticipate potential problems and identify areas for improvement
Perception monitoring	To understand how customers perceive the organisation's customer service

purchase, formulate a process for recovering from any customer service lapses, and plan to monitor service comments (see Table 11.1).

Determining service levels

Few companies can afford the highest level of customer service, with completely personalised attention immediately available on request, but then again, not every customer in every segment can afford (or will expect) such service. However, low price doesn't necessarily mean low service levels. For instance, Amazon.com's customers appreciate the low prices, on-time delivery and 30-day returns guarantee. Amazon® ranked at the top of a recent UK study of customer service, ahead of Utility Warehouse, First Direct®, Specsavers and Waitrose®.[10]

Net-a-Porter® (www.net-a-porter.com), which merged with Yoox®, differentiates itself on the basis of superior service, as well as its assortment of upmarket fashions.

MARKETING IN PRACTICE
NET-A-PORTER®

Net-a-Porter.com, founded in London in 2000, provides affluent customers worldwide with the personal service, special style tips and exclusive merchandise selection they would receive in a high-street boutique. The retail websites look like upmarket fashion magazines, with multiple photos of each item, detailed descriptions and size information, videos of the latest runway trends and interviews with top designers. Net-a-Porter® also offers two e-mail newsletters, multiple apps for fashion tips and shopping plus a 24-hour customer service team that can be contacted by phone, text or e-mail, in local languages.

Net-a-Porter's® special competitive edge is superior service. Shoppers are pampered with such extras as next-day delivery to 170 countries, elegant packaging, free style advice, personal shoppers and free returns. Customers in London, New York City and Hong Kong can pay a little more to receive their purchases on the same day. The company has invested in technology for inventory management, to avoid disappointing customers. Its chief information officer explains: 'For me, one of the biggest enemies of customer experience is "out of stock," and we're able to eliminate that by having the product at the right time for our customers'.

Customers can browse Net-a-Porter's fashion magazines and shop at any hour, from any location, via desktop computer, tablet or mobile. The company is active on Pinterest®, Facebook®, Instagram, Twitter and YouTube®, in addition to its blogs. It operates a menswear site, Mr Porter, as well as an outlet site, theOutnet.com. Despite the discounted prices, the customer experience at theOutnet.com remains top-quality and high-fashion, with expert advice and options for posh packaging.[11] What's next for Net-a-Porter®?

Marketing plan analysis:

What else can Net-a-Porter® do to reinforce its differentiation on the basis of superior customer service?

In industries where intense price competition is commonplace, there is a trend towards eliminating extras and cutting costs, often by automating service procedures or supplementing full-service with self-service alternatives. For planning purposes, carefully analyse the cost–benefit trade-offs of customer service for each targeted segment as you plan. In particular, you should research these four areas, as shown in Figure 11.2:

- *Customer needs and expectations*. What services do targeted customers want, need and expect? Use marketing research to identify the service levels that would satisfy each targeted segment. UK-based Firmdale Hotels® recognised a need for a service to help business customers keep their digital devices operating at full strength all the time. Now it provides free recharge modules in conference rooms, so hotel guests can charge mobiles, fitness bands and other devices.[12] Also determine whether customers are defecting because of poor customer service. If you segment your market according to service usage and expectations, you may find promising opportunities and steer away from unprofitable segments.
- *Positioning and competitive strategies*. What level of service is consistent with your product's or brand's positioning? What level of service would help the product or brand to compete more effectively? Net-a-Porter's® positioning as a retailer of luxury fashions is carried through in the high levels of customer service it offers. This sets Net-a-Porter® apart from competitors and also reinforces brand perceptions and loyalty.
- *Other marketing-mix decisions*. Is the product new or complicated? How is pricing likely to influence customers' expectations of customer service? Do the product's promotions promise or imply a high level of customer service? What level of customer service can your channel members deliver? For example, US-based Weber Grills®, which markets barbecue grills, supports its retail strategy in Europe and Asia with service extras such as local demonstrations that teach consumers how to grill different foods.[13]

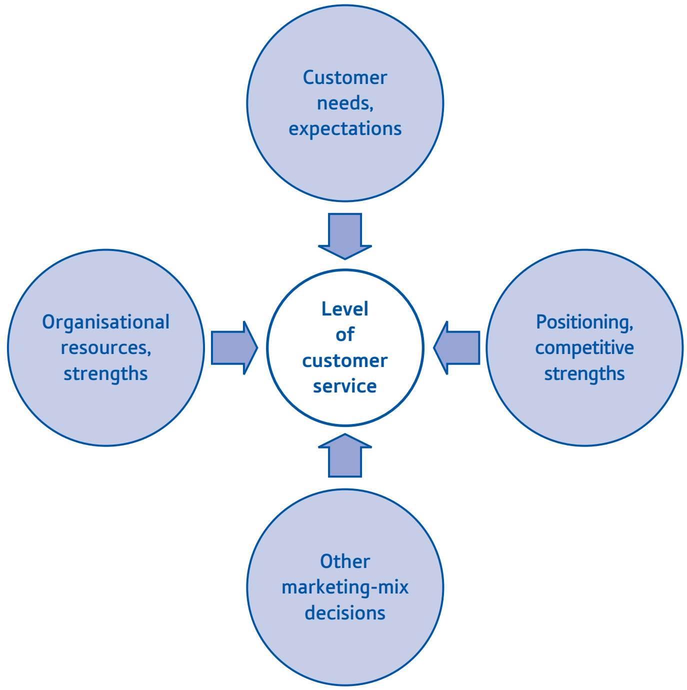


Figure 11.2 Factors in determining service levels

- *Organisational resources and strengths*. What level of customer service fits in with your organisation's financial and human resources? Is technology available to support or substitute for customer service delivery? Is good customer service delivery a particular strength? Can or should customer services such as delivery be outsourced? For example, customers in London and other major cities can use on-demand delivery services such as Jinn for same-day purchases. In cities such as Toronto, Melbourne and Paris, customers can use the UberEATS® app to order and have restaurant meals delivered.[14]

Planning for good service throughout the relationship

Depending on your product and market, customers may have questions and require service assistance before they make a purchase. Business buyers, in particular, may need help with product specifications or configuration, installation options and warranty or repair information. These details receive special attention when companies use formal procurement processes to manage purchasing of goods (such as heavy equipment) or services (such as cloud storage) for business purposes. During the negotiation of a very large or complex business purchase, buyer and seller may agree on a certain level of post-purchase service to be delivered under contract. In negotiating such contracts, be sure you understand what your customers require and how you can meet those requirements at a profit once the purchase has been completed.[15]

If you market directly to customers, you must be prepared to provide at least some service before a purchase transaction. If you market through intermediaries, you will be relying on channel members to answer customers' questions and demonstrate features. Your marketing plan may therefore include tactics for channel training and sales promotion activities targeting wholesale or retail sales representatives.

At the time or place of the purchase, your customers may want help in testing a product, completing the paperwork for a transaction, arranging for delivery or pick-up, arranging payment method or terms, taking advantage of promotions connected with purchasing, or other purchase-related service tasks. If your customer service falls short here, customers may not complete the purchase; conversely, if you deliver good customer service during the purchase transaction, you will build customer satisfaction and encourage repeat purchasing. If you market through intermediaries, you'll plan for point-of-purchase service through activities such as product and sales training. For upmarket or technical products, however, your marketing plan may call for delivering point-of-purchase service on your own.

Service businesses, such as hotels, often put considerable effort towards satisfying customers during service delivery. Consider the personalised customer service delivered by Fairmont Hotels, headquartered in Canada (www.fairmont.com).

MARKETING IN PRACTICE
FAIRMONT HOTELS

Fairmont operates 70 luxury hotels around the world, offering deluxe hotel accommodation and personalised service for holidaymakers, business travellers, celebrities and political leaders. Among the century old company's iconic hotels are Le Chateau Frontenac in Québec and the Savoy in London. To demonstrate its differentiation on the basis of best-quality service, Fairmont thinks carefully about what its customers like and how to delight them.

Knowing that many hotel guests (and employees) are pet lovers, Fairmont now has 'canine ambassadors' in residence at some hotels in Canada, America and Kenya. These well-trained dogs greet visitors in the lobby and are available for walks. Some dogs are so popular that they have their own e-mail addresses and Facebook® pages. Canine ambassadors enhance the emotional connection with the hotel brand and contribute to distinctive customer service delivery. Countless guests have posed for selfies with Fairmont dogs, adding to the brand's positive presence on social media.

Fairmont's research indicates that customers view personalised service as one of the most memorable aspects of the hotel experience. However, a lot of service preparation takes place before customers arrive, or outside the public eye. That's why Fairmont has commissioned photojournalists to go behind the scenes and photograph staff members at work in nine hotels. These images are travelling to photo festivals and are also posted on Fairmont websites, vividly portraying the human side of the hotel's commitment to serving customers every day.[16]

Marketing plan analysis:

Should Fairmont make canine ambassadors part of its plans for customer service at all of its hotels? Why or why not?

To encourage repeat business and strengthen customer relations, you'll probably have to deliver some sort of customer service after the purchase. This may include training buyers in product use, explaining maintenance or repair procedures, exchanging defective products, returning products for refunds, installing replacement parts, or other post-purchase services. Some companies use technology to detect the need for post-purchase service even before customers notice any problems. Many provide targeted customer segments with special services. When customers seek service months or years after they buy your product, you have an opportunity to reinforce their image of and loyalty to your brand. By providing the level of maintenance or repair service that customers expect, you remind them of why they selected your brand in the first place and give them yet another reason to choose your brand next time.

Monitoring customer perceptions of service

Your marketing plan should provide for monitoring what customers think of your service and your products. Be ready to analyse comments made in letters, phone calls and e-mails and on your company's website and social media accounts. Also monitor what customers (and others) say about your service and your brand elsewhere by searching for comments on the following:

- *Review websites*. Review Centre, Yelp® and other websites invite customers to post reviews and ratings of restaurants, shops and other establishments in many cities and towns worldwide. Be sure to monitor what the reviews are saying and respond when appropriate.
- *Retail websites*. Amazon.com pioneered the idea of getting customers to rate and critique products and sellers. Now many other marketers do the same or help customers find appropriate ratings online. Accord Hotels®, parent company of Sofitel® and other hotel brands, links to consumer reviews posted on TripAdvisor.com.
- *Social media*. Many consumers, journalists and industry observers blog or post images and videos on social media when they want to express complaints or compliments. Watch for these posts and be ready to respond quickly.

Inviting online reviews of customer service, product quality and other aspects of the business can build trust and enhance a firm's reputation for transparency and customer responsiveness. Research indicates that expanding the number of online product reviews can actually increase orders and revenues. Further, customers who take the time to explore the reviews are much more likely to buy than those who don't look at the reviews.[17] However, because of the possibility that some reviews may be bogus, the Review Centre and Google (like other review sites) use special software to detect and examine suspicious posts. One last thought about reviews: resist the temptation to anonymously review your company's goods or services, a practice that's illegal in some markets and ethically questionable in any case.

Some companies set up special online help pages or social media accounts for customer service. First Direct®, a UK financial services firm, maintains a dedicated 24-hour Twitter® account (http://twitter.com/firstdirecthelp) for customer service, aiming to respond within an hour to customers' tweets. To personalise the process, all bank representatives introduce themselves to the Twitter® audience and sign tweets with their initials.

Next, have a process in place to deal with comments. When passengers post messages about OC Transpo (http://twitter.com/OC_Transpo), the public transport service in Ottawa, Canada, managers often request additional details (in English or French, depending on language used by the passenger) so they can investigate more thoroughly. Just as important, they tweet a thank-you, regarding each comment as an opportunity to improve customer service.[18]

Even companies known for excellent in-person customer service can benefit from expanding to social media. After years without an official customer service Twitter® account, Apple® finally created @AppleSupport (http://twitter.com/AppleSupport) to answer questions and tweet tips, supplementing its in-store Genius Bar. Within the first 24 hours, this account attracted 41,000 followers and responded to hundreds of questions. Three months later, the account had 300,000 followers and had posted more than 60,000 tweets, indicating the popularity of this support channel.[19]

Planning for service recovery

Because customer service may not be delivered perfectly every time, you should plan for **service recovery:** how your organisation will recover from a service lapse and satisfy customers. Service recovery offers an excellent opportunity to demonstrate understanding of customers' expectations and needs and – equally important – rebuild ties with customers through effective communication while implementing a speedy and satisfactory resolution.[20] According to one study, a sizeable number of customers who are dissatisfied will keep buying from a company if their complaints are resolved satisfactorily. Simply responding is an important first step, because shoppers report frustration at the lack of response to complaints and negative reviews.[21] If you please customers who complain, you can turn them from potential defectors into brand advocates, a good way to stimulate positive word of mouth.

Internal marketing is vital for service recovery, because employees must have the commitment, skills and authority to clarify the extent and nature of a service lapse, offer a suitable response and see that it is implemented as promised. As you plan for service recovery, focus on both process and outcome (see Figure 11.3). Customers will be more dissatisfied if you provide no convenient method for receiving complaints or fail to resolve their complaints satisfactorily. At times, customers may only want a way to express their dissatisfaction, know that their voices are heard and receive a sincere apology. In one study of online comments about a wholesaler, nearly half of the consumers who had posted negative or neutral reviews were willing to withdraw their comments after the company apologised.[22]

The number of complaints usually understates the actual number of service failures experienced by your customers, because not every customer who is dissatisfied will take the time to complain. Your organisation could be losing customers due to an ineffective service recovery plan, and you might never know the reason. By encouraging two-way communication with your customers and paying close attention to negative and positive comments, you'll build trust and gain valuable insights into service problems and achievement.

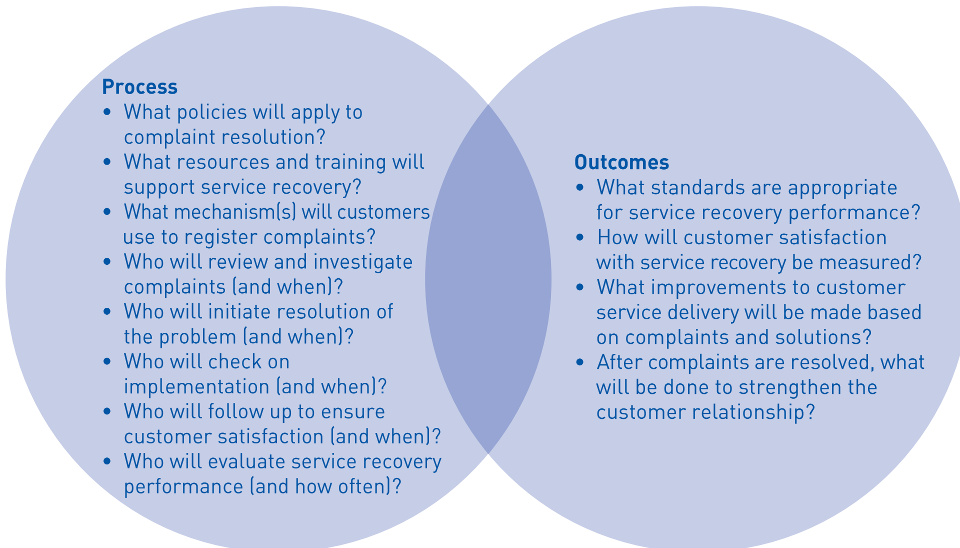


Figure 11.3 Planning service recovery process and outcomes

Seek the input of staff members who deal directly with customers when determining what tools and support you need to correct service mistakes. Also solicit employees' suggestions for practical ways to improve delivery and prevent service lapses. Try to involve top management in service recovery, helping to prove your organisation's commitment to satisfaction and to keeping the customer relationship alive. As you consider how to incorporate customer service support into your marketing plan, use Checklist No. 18.

ESSENTIAL CHECKLIST NO. 18
PLANNING FOR CUSTOMER SERVICE

This checklist will guide you through the main issues to research and analyse as you plan for customer service to support marketing activities.

- ☐ What level of service do targeted customers need, expect and prefer before, during and after the purchase?
- ☐ What customer service level is reasonable and practical, based on organisational resources and objectives?
- ☐ What competitive, industry and market considerations might affect the customer service plan?
- ☐ What legal, regulatory, ecological, technological, social or ethical issues might affect the customer service plan?

- ☐ How will you monitor customer perceptions of your service activities?
- ☐ How will you train and reward employees and channel members for providing good customer service?
- ☐ What service recovery plans and policies do you need?

Planning for internal marketing

Ideally, you want your internal marketing activities to engage the hearts and minds of managers and employees at every organisational level – the internal equivalent of what good external marketing seeks to achieve with customers. First, of course, you will 'market' the marketing plan to gain senior management approval and support. Then, for the approved plan to succeed, you need internal marketing to build enthusiastic commitment among the organisation's middle managers, front-line managers and employees. This means going beyond a catchy slogan or one-time special event to develop an ongoing internal marketing strategy that you can adapt as the situation changes.

Employees and the brand

Internal marketing is essential for promoting the brand's image and values to internal audiences. SAP®, the B2B software giant with headquarters in Germany, uses internal marketing to strengthen the relationship between the corporate brand and its 78,000 employees. According to one of SAP's® communications managers: 'Employees are a brand's most powerful voice. In today's world, it's key to turn your employees into trusted brand ambassadors.'[23]

Similarly, Unilever® recognises that effective internal marketing is an essential foundation for external marketing. The vice president for employee engagement observes, 'If the employees are not embracing the brand, you'll never be able to convince the consumers'.[24] This is why Unilever® sent employees boxes of samples about a new Dove® personal care product for men before launching the products in Germany. The idea was to let employees know about the new products and allow them to share samples with family and friends.

Ford® Motor Company uses internal marketing to keep its employees informed through a variety of tools, including the @Ford® internal newsletter, which is translated into local languages for worldwide distribution. Ford® has also invited some employees to be external brand ambassadors during special events like the North American Auto Show. 'I know this truck; my hand is in this truck and I am building this truck', says one factory employee, explaining his insider's knowledge of the vehicle.[25]

Nike® (www.nike.com), famous for its sports shoes, clothing and equipment, gives internal marketing a boost by inviting athletes to join employees in answering customer calls.

MARKETING IN PRACTICE
NIKE®

Even when the brand name isn't visible, consumers recognise anything made by Nike when they spot the well-known swoosh. Nike's marketing plans rely on internal marketing and customer service to support the US-based company's goal of achieving $50 billion in annual sales. Facing intense competition from Adidas, Under Armour and other marketers of sports apparel and gear, Nike wants its customer service to be as high-performing as its products. For example, the company maintains a special Twitter account, @NikeSupport, just for questions and comments about its branded devices and apps.

Nike® provides customer service personnel in stores, call centres and other locations with detailed product knowledge training. For special marketing campaigns, the company enhances its regular internal marketing with special activities. As an example, American football stars Richard Sherman, Victor Cruz and Brian Urlacher have all surprised customer service employees by arriving at Nike facilities to answer customers' calls and e-mails about athletic shoes. Inviting athletes to join employees for the day is a good way to boost pride in the brand and motivate good service performance. Publicity about the athletes' visits also reinforces Nike's association with sports and responsive customer service.

For internal audiences, Nike videos its product launch events and the training camps it runs for youngsters who are interested in basketball, lacrosse, tennis and other sports. The videos, which condense a few hours' worth of activities into a few minutes, capture the excitement of each event in an informative and entertaining way. This internal marketing gives employees a sense of belonging to the Nike 'family' and keeps them updated about products and marketing in an upbeat way.[26]

Marketing plan analysis:

Should Nike post its internal marketing videos on YouTube® or other sites where they will be visible to external audiences? Why or why not?

Strategy for internal marketing

Although the specifics of internal marketing strategy will differ from organisation to organisation, most touch on the following:

- *Hiring and training*. Even when you are not directly involved in personnel decisions, you can influence hiring procedures to ensure that new employees have a positive attitude towards customer service. You should also influence or participate in training to build the staff's knowledge of customers and marketing.
- *Standards*. What, exactly, constitutes performance in implementing marketing programmes? Your performance standards should be consistent with the marketing plan's (and the organisation's) objectives, with other job-related standards, with what customers want and with what you are promising and promoting.

- *Communication*. Every company can use communications for reinforcing objectives and standards, coordinating programmes and implementing responsibilities, keeping employees informed and keeping them interested and connected. You can choose any number of techniques, from printed newsletters and voicemail messages to internal websites and internal social media.
- *Participation*. Inviting participation in the planning process can encourage stronger support and commitment among those who are charged with implementation. Customer-contact personnel, in particular, may be able to suggest how your proposed programmes can be improved.
- *Monitoring and rewards*. Are employees performing up to the standards that have been set and cooperating for smooth implementation of marketing programmes? If not, what needs improvement? If so, how should you reinforce and reward good performance? Your internal marketing reward system must be consistent with the organisation's overall system of motivation, performance evaluation and rewards.

See **Chapter 12** for more about controlling marketing plan implementation, including internal marketing and service initiatives.

CHAPTER SUMMARY

Customer service supports the external marketing effort and, in turn, must be supported by internal marketing focusing on people and processes inside the organisation. Customer service can help the organisation to attract new customers, retain current customers, build brand image for competitive differentiation and achieve its objectives. Internal marketing can help the organisation to focus on customers, increase employee knowledge, encourage internal cooperation and commitment to marketing, and boost pride in performance for competitive strength.

Marketers face decisions about process (the experience customers will have in arranging for customer service) and outcomes (delivering service on time, as promised and to the customer's satisfaction). They also face decisions about the appropriate level of customer service to be promised and delivered, the delivery of customer service before, during and after a purchase, how to monitor customer comments about service and the process of recovering from any customer service lapses. Planning for internal marketing is essential to promote the brand and its values inside the organisation, and to keep employees informed about marketing activities.

A CLOSER LOOK

MARKETING AT METRO BANK®

Even as some high-street banks close branches or slow their expansion plans, Metro Bank® continues to open stores and invite new customers to 'join the revolution'. Metro Bank® faces competition from traditional branch-based banks and from virtual banks that operate online without physical branches, such as Atom Bank, which targets mobile users. Soon Metro

Bank will have more than 100 stores across the UK, providing in-person service and the option to bank online, by phone or by mobile app. Metro Bank® views itself as a retailer, with friendly employees providing quality customer service during extended banking hours.

Founder Vernon Hill says Metro Bank® has a policy to 'kill stupid rules'. The idea is to differentiate Metro Bank® by doing what most competitors don't do, such as welcoming dogs and exchanging coins for banknotes without charge. At a time when some big banks have eliminated their safety deposit boxes, each Metro Bank® store rents thousands of boxes – and the bank still can't meet demand. When Metro Bank® opened the first drive-through bank in London, the bank celebrated by playing music and giving customers free popcorn and balloons.

Internal marketing begins with recruiting employees who have a positive attitude and providing ongoing training in product knowledge, service skills and management techniques. When new employees first arrive, they start the workday by dancing in a conga line, part of the orientation into how Metro Bank® differs from traditional banks. All store employees are encouraged to work for a brief time in the bank's call centre to hear, first-hand, what customers say and the problems they want solved. Metro Bank® has its own training centre and also offers employees access to electronic courses. The bank prefers to promote from within, and upward movement can be swift, making it such a desirable employer that 25,000 people apply for jobs there every year.

Metro Bank® continues to expand its customer base month by month, relying on new technology for efficient and effective customer service. Instead of generating piles of paperwork each time a new account is opened, the bank uses tablet computers, electronic signatures and e-mailed documents to speed the process and save trees. It uses technology to monitor social media comments and analyse patterns as customers bank in its stores, online and via mobile, so it can respond quickly when needed and maintain its competitive edge in customer service.[27]

Questions

1. When Metro Bank's founder says he wants to 'kill stupid rules', what is he saying about the bank's customer service? How far can a bank take this idea?
2. Looking at Figure 11.1, how does Metro Bank's approach to internal marketing support its customer service strategy?

APPLY YOUR KNOWLEDGE

Select a retailer with a nearby store location and an online presence. Visit one store, browse the website, check any social media sites and then analyse this retailer's approach to customer service. Prepare a brief oral or written report, summarising your analysis.

- Where on the website does the retailer place its customer service policies? Where in the store are such policies displayed? Are the policies practical and easy to understand?

- What comments, if any, have customers posted about service on the retailer's social media accounts? Has the retailer responded?
- What customer service is offered online? Does the website invite shoppers to interact with service representatives via e-mail, chat, telephone or some other method?
- Are pre-purchase, point-of-purchase and/or post-purchase services offered in the store? What self-service options, if any, are available? How do these differ (if at all) from the services offered to online customers?
- What changes in customer service would you suggest for this retailer? How can this retailer enhance and protect its service reputation online?

BUILD YOUR OWN MARKETING PLAN

Continue your marketing plan by making decisions about customer service and internal marketing. First, what is an appropriate level of customer service to support your positioning and other marketing-mix decisions? Do you know how this level of service fits with customers' needs and expectations? Does your customer service add more value than that offered by competitors? How will you offer service (in person, by phone, by app or another method)? What resources will you need? Should you offer any self-service options? How will you monitor customer perceptions of your service support? How will you use internal marketing to communicate the marketing plan and build commitment inside the company? Outline a customer service or internal marketing programme, as applicable, indicating the target audience or market. Explain how this programme will contribute to meeting your plan's objectives.

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12

Planning for implementation, metrics and control

Learning outcomes

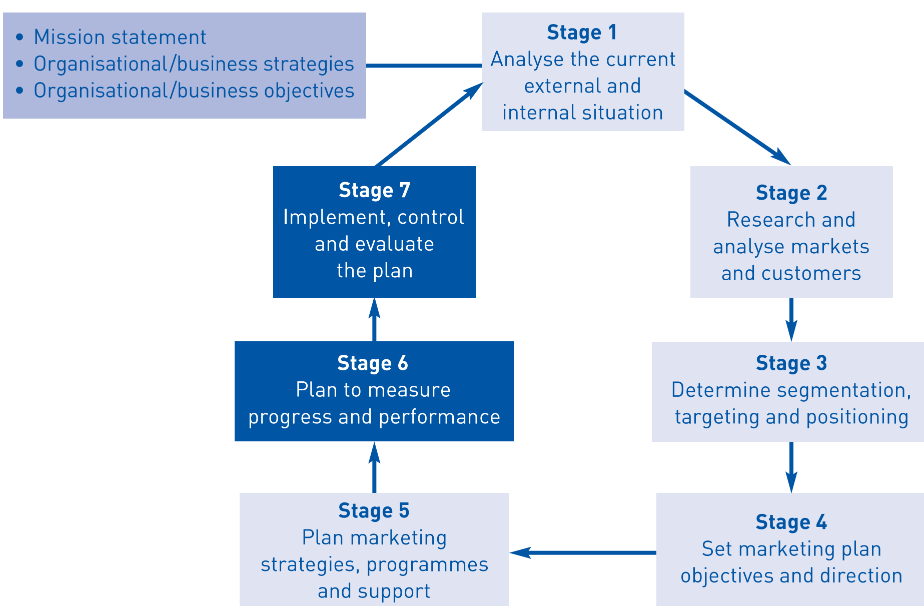
After studying this chapter, you will be able to:

- Understand the role of key performance indicators, metrics, forecasts, budgets and schedules in marketing planning.
- Explain the role of marketing control after plan implementation.

Application outcomes

After studying this chapter, you will be able to:

- Apply metrics, forecasting, budgeting and scheduling to support plan implementation.
- Use marketing control to evaluate plan performance.
- Prepare for contingency and scenario planning.



CHAPTER PREVIEW

MARKETING AT McDONALD'S

McDonald's (www.mcdonalds.com) has more than 36,000 fast-food restaurants worldwide, including 8,000 outlets in 42 European markets. Originally known for burgers and fries, the company creates marketing plans for updating and introducing menu products to fit local market tastes. In India, McDonald's enhanced its best-selling Maharaja Mac sandwich with thicker chicken patties and spicier sauces. It also launched a meatless Big Mac to attract India's many vegetarian customers and added a chilli-topped ice cream dessert for customers who crave hot flavours. In Italy, McDonald's markets burgers made with Parmesan cheese. In Australia, McDonald's markets Aussie BBQ burgers and invites customers to 'Create your taste' by ordering customised burgers through a digital kiosk. In Canada, it is promoting coffee through its McCafés to attract customers morning, noon and night.[1]

Locally and globally, McDonald's has many marketing activities to plan, coordinate and monitor via schedules, budgets and other tools. It measures the financial and marketing success of each marketing activity by tracking sales and customer feedback, among other measures related to its marketing plan objectives. Such preparations for implementation span Stages 6 and 7 in the marketing planning process. First, you'll learn about the use of metrics, forecasts, budgets and schedules for implementation. You'll also learn about the different levels of marketing control and the use of annual, financial, productivity and strategic control. Finally, you'll be introduced to contingency planning and scenario planning. The two checklists in this chapter will help you to plan for metrics and marketing control.

Tools for evaluating implementation

Stage 6 of the marketing planning process involves decisions about how you will measure progress and performance after your marketing plan is put into action. Start by identifying **key performance indicators (KPIs)**, those indicators that are vital (key) to effective performance, as defined by your organisation's strategic goals and your marketing plan objectives. Every organisation will have various types of KPIs that are important to management and to customers, such as increases in profitability, product quality and customer satisfaction.

You have to be able to make point-in-time measures and analyse trends in these measures to understand marketing performance relative to those KPIs and then be ready to adjust your marketing plan if necessary. A manufacturer, for example, might identify 'new product introduction cycle' as a KPI. The reason: the faster a product gets to market, the more quickly it can satisfy customers' needs and the more that can be sold during a given period. New products contribute to unit sales and revenue, as well as to market share and profitability, but they also matter to customers and to channel members. If measures indicate that products are not being launched as quickly as desired, marketers can take steps to improve performance on this key indicator.

Table 12.1 Evaluating marketing plan implementation

Tool	Description	Use
Metric	Specific numerical standard measuring an outcome that contributes to performance	Target for interim achievement against which to measure actual outcome
Forecast	Forward-looking estimate expressed in unit or monetary terms	Projected level of sales or costs against which to measure actual results
Budget	Funding allotment for specific programme or activity	Guideline for spending against which actual expenditures are measured
Schedule	Series of target dates for tasks related to a particular programme or activity	Guideline for anticipated timing against which to measure actual timing

Every programme and tactic in your marketing plan should contribute, if only in a small way, towards your objectives and goals. As shown in Table 12.1, you can measure the progress achieved through marketing plan implementation using these four tools:

- **Metrics** are specific numerical standards used on a regular basis to measure selected performance-related activities and outcomes. The point is to examine interim results by applying metrics measurements at set intervals and to analyse progress towards meeting marketing plan objectives. Metrics help you to understand what happens as a result of your marketing and enable you to compare outcomes across various time periods.[2]
- **Forecasts** project the estimated level of sales (e.g. by product or market) and costs (e.g. by product or channel) for the specific period covered by the marketing plan. By comparing actual sales and costs (or actual donations) with forecast levels, you can spot deviations and prepare to adjust your assumptions or your activities as trends develop.
- **Budgets** are time-defined allotments of financial resources for specific programmes, activities and products. You might, for example, prepare one overall advertising budget and allocate it across specific campaigns, programmes, products or geographic areas. After implementing the marketing plan, you check whether actual spending is above, below or at the budgeted level.
- **Schedules** are time-defined plans for coordinating and accomplishing tasks related to a specific programme or activity, such as new product development. You will prepare individual schedules showing starting and ending dates, as well as responsibilities for the major tasks within a programme, plus an overall schedule reflecting the key tasks and target dates for implementing marketing plan programmes.

These tools help you know whether you're doing what you should be doing to achieve your objectives and goals. If you achieve the expected results day after day, you will move ever closer to accomplishing both short-term objectives and long-term goals. However, avoid overemphasising short-term measurements because of the risk that you might lose sight of what customers really want and what your organisation is striving to achieve. At the same time, don't wait too long to act if you identify significant shifts in competition or other elements that begin to affect performance. In short, try for a balanced perspective as you apply the metrics, forecasting, budgeting and scheduling tools discussed in the remainder of this chapter.

Measuring progress with metrics

Using metrics allows you to measure the outcomes and activities that really contribute to progress towards objectives and KPIs. Organisations are concerned about holding marketing accountable for achieving results, which is why the use of metrics is an important part of marketing planning. You'll need clear objectives and baseline measures against which to compare interim results and ultimate performance. Yet just because you *can* measure something doesn't mean you *should* measure it – nor should you measure everything. The key is to identify the specific metrics that apply to the most significant activities and results affecting marketing performance. Choose metrics that relate to your objectives, so you can measure what matters.[3]

Companies can use both internal and external metrics to measure progress towards objectives (see Table 12.2). For example, the external metric of customer awareness measures progress towards the marketing objective of strengthening and expanding customer relationships: the higher the awareness is, the higher will be the probability that prospects will become customers. In contrast, internal metrics measure results that relate to specific financial objectives such as profitability. Apply your measurements before, during and after implementation so you can make changes if necessary to improve performance.

Many companies use a marketing dashboard to track actual performance. A **marketing dashboard** is a computerised, easy to read depiction of KPI-related marketing

Table 12.2 Internal and external metrics for marketing

Performance perspective	Time horizon: forward-looking metrics	Time horizon: backwards-looking metrics
INTERNAL Company metrics	Company metrics applied during an operating period, such as: • Product defects • Late deliveries • Late payments • Inventory turnover	Company metrics reported at the end of an operating period, such as: • Sales revenues • Percentage gross profit • Net profit before tax • Return on assets
EXTERNAL Marketing metrics	Marketing metrics applied during an operating period, such as: • Customer awareness • Customer satisfaction • Perceived performance • Intent to purchase	Marketing metrics reported at the end of an operating period, such as: • Relative market share • Market share • Customer retention • Revenue per customer

Source: *Market-based Management,* Pearson Education Inc. (Best, R., 2013) Figure 2.8 page 47; Prentice Hall, Best, Roger, Market-based Management, 6th Edn., p. 47, (c) 2013. Reprinted and electronically reproduced by permission of Pearson Education. Inc., Upper Saddle River. New Jersey.

outcomes, as measured by metrics, used to monitor progress and identify deviations from expected results. Some marketers use separate dashboards to monitor metrics related to social media or other aspects of digital marketing, given the pace of change in those areas.

Selecting metrics

When you select metrics, look for measures that will help you to evaluate progress throughout the course of each programme and into a new marketing plan period, so that you can follow progress and assess results. For example, to measure progress towards financial objectives, you might choose metrics tracking sales, profitability and return on investment. When selecting metrics:

- *Match metrics to programme and marketing plan objectives*. Be sure your metrics are relevant to your objectives. If McDonald's Canada aims to increase its market share of coffee purchased for consumption outside the home, it would regularly measure unit or monetary sales of its coffee products and compare with the market share of competing restaurant chains such as Starbucks® in Canada.
- *Measure activities or outcomes that show progress towards fulfilling the organisation's mission and moving in the desired direction*. Metrics should track results that are consistent with the firm's mission, direction, goals and desired brand image. For example, American Express's® Global Business Travel division doesn't just use metrics to understand the efficiency of its customer service responsiveness. It also employs surveys to gauge the quality of its customer service, which contributes to customer satisfaction and to its positive brand image.[4]
- *Measure the non-financial and financial outcomes that can be quantified and that matter to customers*. Businesses typically select and measure metrics related to changes in customers' perceptions of company image, product quality and value, all of which affect customers' attitudes and behaviour. To follow the development of customer relationships, they can track progress in acquiring customers, selling additional products to current customers, retaining customers, reactivating dormant relationships and re-establishing relations with defectors.
- *Measure appropriate internal metrics*. By tracking internal performance using metrics such as measuring order fulfilment accuracy and on-time shipping, you can quickly identify areas for improvement in processes and procedures that affect customer satisfaction and loyalty. Also consider metrics that will help you to identify which of your supply chain and channel partners are most responsive.
- *Use metrics to reinforce ongoing priorities*. You can use metrics to track the proportion of sales made to more profitable customers compared with those made to less profitable customers as a way to reinforce marketing priorities for long-term success. Also, using metrics to track the ratio of new product sales to existing product sales can show the extent to which new product innovation is fuelling growth. If improving brand image is a priority, metrics might include the change over time in the brand attitudes and perceptions of various publics.

The specific metrics selected depend on your organisation, its mission and objectives, your marketing plan objectives and the programmes you will implement. Most companies select metrics to measure profitability and profit margins, sales, product awareness and number of new products, among others – with profitability and sales metrics seen as the most valuable in assessing progress.[5] Other vital areas to monitor through metrics are channel and sales force performance, product portfolio performance, new product pricing, price changes and effect on profitability, and the value of individual customers and relationships.

Applying metrics

You will need pre-implementation numbers for every metric so that you can track progress from that point forward. If possible, obtain benchmark metrics (from your industry or best-in-class organisations) against which to compare your progress. For every activity or campaign, use your marketing plan objectives as targets. Adobe Systems®, which makes business software, sets ROI (return on investment) objectives for each campaign. At the close of a campaign, marketers use metrics to show top management whether the objective has been achieved.[6]

Depending on your organisation, objectives and technology, you may apply selected metrics daily, weekly, monthly, quarterly or yearly. In especially volatile markets, you may check metrics more than once a day, or even on an hourly basis. Be sure to analyse the direction and rate of change in measurements taken at different intervals, as well as the total progress from pre-implementation levels. This will show how quickly you are moving towards your objectives (and reveal problem areas for attention). Check your previous results to see the progress measured in comparable pre-implementation periods as a way of identifying unusual trends. By documenting your measurements, you will have historical data for comparison with future results. Also analyse your metrics in the context of competitive results whenever possible – an especially important point with measures such as market share, profitability and quality perceptions.

Barclays® Bank (www.barclays.co.uk), headquartered in London, applies metrics to monitor customer interactions and progress towards objectives so it can respond quickly to potential problems.

MARKETING IN PRACTICE
BARCLAYS® BANK

As a major international bank, Barclays® strives for the highest levels of customer service delivered through multiple channels. To monitor its performance, the bank pays close attention to metrics such as the number of customer service comments and inquiries it receives through social media, website visits, phone calls and branch visits. Every week, Barclays® receives 3,500 tweets and 2,500 other social media messages that are answered by a customer service team that responds 24/7 to comments, offering assistance and solutions as needed.

Applying metrics, Barclays® has found that approximately 80 per cent of incoming customer inquiries are answered immediately without switching to another communication channel to continue the conversation. So customers who tweet receive tweets in response, unless the question involves private details that should be handled in one-to-one communications. The bank is also testing video chat as well as mobile messaging to stay in contact with customers when and where needed. This means customers are getting the help they want in the ways most convenient for them, and Barclays® meets its goals of listening and responding quickly and helpfully. In fact, the bank has won awards for the quality of its social media interactions. It is also using feedback to streamline its online FAQs and other help pages so customers can easily and intuitively locate answers to their questions.

As an early warning system, Barclays® built an 'Incident Dashboard' that compiles and analyses social media comments to detect service issues before they become giant problems. For example, the dashboard system would detect comments about an ATM not functioning and use analytical tools to examine the extent of the problem (one branch or many?) and the potential severity (isolated incident or potentially larger?). This allows the bank to prepare for promptly resolving such issues before they escalate – which, in turn, supports customer satisfaction. With an eye towards its social objectives, Barclays® offers personal finance education, digital literacy tutoring and communications to make consumers more aware of how scammers try to trick people into disclosing bank passwords. By tracking how many people download or access the content and how many people request additional information, Barclays® knows whether these initiatives are meeting their objectives.[7]

Marketing plan analysis:

How would you suggest that Barclays® use social media metrics to understand customers' attitudes towards its brand and its customer service responsiveness?

Marketing judgement is vital for interpreting what metrics measure. Quantifiable measures are necessary but so are innovation and insight.[8] Kellogg's, which markets cereals and snacks worldwide, puts little emphasis on the number of times consumers click on its digital ads because of the difficulty of linking clicks to purchases. Instead, Kellogg's looks closely at whether its digital ads are being seen by specific audiences at particular times when they are most receptive to such messages. It also measures changes in brand awareness and purchase intentions to understand the effect of its ads.[9]

Use Checklist No. 19 as you consider suitable metrics for your marketing plan.

ESSENTIAL CHECKLIST NO. 19
PLANNING METRICS

Your choice of metrics will determine exactly what you're able to track as you implement your marketing plan, compete in the marketplace and move closer to your objectives.

- ☐ What metrics will help you and your management to track the marketing results that relate to key performance indicators?

- ☐ What metrics will help you to measure progress towards achieving the plan's financial, marketing and societal objectives?
- ☐ What metrics will help you to track how each marketing-mix element contributes to interim performance?
- ☐ What metrics will help you to assess performance of customer service and internal marketing initiatives?
- ☐ How often should you measure interim progress using each metric?
- ☐ What metrics are in general use in your industry, and why? Can you adapt these for your organisation's particular situation?

Forecasting and the planning process

The purpose of forecasting is to project future demand, sales and costs so that you can make marketing decisions and coordinate internal decisions about manufacturing, finance, human resources and other functions. (Depending on the coming year's forecasts, your organisation may need to expand or reduce manufacturing capacity, change inventory levels, reallocate budgets and increase or reduce the workforce.) Forecasting is challenging because of the dynamic business environment, unpredictable competitive moves, changeable demand and other uncertainties that can affect marketing performance.

Moreover, your product forecasts must take into account the interrelationships between products in the marketplace. For business markets, apply the principle of **derived demand:** the demand you forecast for a business product will be based, in part, on (derived from) the demand forecast for a related consumer product. In Indonesia, for example, 70 per cent of all new-car sales are paid for with bank loans. As demand for cars increases, therefore, banks can expect demand for car loans to increase as well. To prevent a 'credit bubble' as the Indonesian economy grows, the government set a requirement that consumers must have a down-payment of 30 per cent or more when borrowing to buy a new car – a requirement that was eased when the economy began to grow at a slower pace.[10]

Forecasts are, at best, only informed estimates, even when based on statistical data and carefully adjusted for the effect of external influences such as market growth, economic conditions, technological developments and industry trends. Still, aim to make your forecasts as accurate as possible in order to improve the quality of information supporting the decision-making process. You may want to develop forecasts for the most optimistic, most pessimistic and most likely situations you will face, and then, if possible, to statistically estimate the probability of each. More companies are reforecasting future sales and costs using actual results throughout the planning and implementation period. This is especially important during periods of unusual volatility or uncertainty, such as the recent economic downturn.

Types of forecasts

What forecasts do you need for your marketing plan? Most organisations start at the macro level by forecasting industry sales by market and segment, then move to the micro level by forecasting sales for their company, sales by product, sales costs by product, and sales and costs by channel. With these forecasts in hand, you can estimate future changes in sales and costs to examine trends by product and by channel. Such analyses will show the magnitude of projected sales increases or decreases for your market, segment and individual products as well as the expected rate of change over time for sales and costs.

Market and segment sales forecasts

The first step is to project the level of overall industry sales in each market and segment for the coming months and years, using the external audit and the market analysis completed earlier in the planning process. Here you will forecast sales in the qualified available market and in your targeted segment of this market, adjusted for external influences such as expected legal restrictions and the economic outlook. Once you've forecast the size of the market, you can forecast the share you aim to achieve with your marketing plan, as well as estimating the future share for each competitor. Then bring industry sales forecasts down to the segment level to support your targeting and strategy decisions.

Airbus® (www.airbus.com), the aircraft giant based in Toulouse, France, develops detailed market and segment sales forecasts to support its marketing plans.

MARKETING IN PRACTICE
AIRBUS®

In an industry where manufacturers and suppliers require a decade or longer and hundreds of millions of euros to research, develop, test and introduce a new product, forecasting is vitally important. Airbus®, which competes with Boeing® for aircraft orders from the world's airlines, prepares forecasts by industry (such as passenger jets and cargo jets), segment (such as size of jet) and market (regional and national) two decades in advance. Each year, it refines the forecasts after examining the latest environmental developments, such as economic trends and projections, fuel production and price projections, population trends and shifts, the business cycle, the age of aircraft currently in use and other elements that affect aircraft demand. Then the company amends its marketing plans according to the updated forecasts.

When fuel prices were high in 2015, Airbus® forecast a nearly 4 per cent increase in demand for jets through to 2034, knowing that many airlines would order fuel-efficient aircraft to replace aging, inefficient planes. As fuel prices fell, some industry experts said in 2016 that airlines would buy fewer new jets. Airbus® disagreed, seeing strong growth in passenger numbers, especially in Asia-Pacific nations, where middle-class population growth, favourable economic conditions and the proliferation of low-fare airlines have led to high jet demand from start-ups and existing carriers serving first-time flyers and business travellers.

Airbus® forecasts a passenger increase of more than 5 per cent yearly in Asian markets. Its forecast for China is for double-digit growth in passenger numbers; its forecast for India is for more than 9 per cent growth in domestic passenger numbers alone. Airbus® also forecasts high demand for pilots trained to fly Airbus® jets. As a result, it has two schools in Asia to train pilots who will then qualify as captains and first officers for Airbus®-supplied jets. Finally, Airbus's ability to implement marketing plans based on forecasts can be affected by outside factors, such as a shortage of key parts. Not long ago, Airbus® had to delay delivery of some jets because its toilet supplier had trouble meeting delivery schedules.[11]

Marketing plan analysis:

The 20-year forecasts announced by Airbus® and its key rival, Boeing®, don't always agree with each other. Should Airbus® take its competitors' forecasts into consideration when adjusting its own forecasts? Explain your answer.

Company and product sales forecasts

Use your market and segment forecasts, your market and customer analyses and your knowledge of the current situation to develop sales forecasts at the company and product levels. Also factor in earlier decisions about direction, strategy and objectives when thinking about future company sales. Car manufacturers typically project industry, company and product sales three to five years in advance because of the lead time needed to design new vehicles, build or retrofit assembly facilities and plan for other operational activities. They consult forecasts from industry groups, such as the UK's Society of Motor Manufacturers and Traders, and adjust their forecasts in accordance with the latest economic indicators and other external influences.

Most marketers prepare month-by-month sales forecasts for the coming year, although some firms prefer week-by-week forecasting and some project sales 15–18 months ahead. Manufacturers of industrial equipment and cars typically prepare monthly sales forecasts for at least two years ahead, on the basis of top-down and floor-up input, so they can plan supply acquisition and production capacity. Involving suppliers and channel members can improve accuracy and give suppliers the data they need for better forecasting to meet your organisation's needs. If your marketing plan covers at least one new product introduction, forecast those sales separately so you can measure results and track progress towards product-specific objectives. Also consider how seasonal demand and parts or service shortages might affect your forecasts and your plans.

Costs of sales forecasts

Now you're ready to forecast the total costs you can expect to incur for the forecast sales levels and to project when these costs will occur. This gives you an opportunity to consider the financial impact of your forecasts and revise them if necessary. Your forecasts will be more realistic if you discuss cost figures with supply chain firms and line managers or others who are knowledgeable about the products and markets. You may need to adjust your overall cost forecasts after the marketing plan is implemented. Nonetheless, estimating these costs during the planning process helps you to allocate funding to individual programmes and products.

Channel forecasts

Companies that work with multiple channels and channel members often forecast sales and costs for each, including the cost of logistics. In addition to providing benchmarks against which to measure actual channel results and costs, these forecasts give you an opportunity to reconsider your channel and logistics decisions if the costs seem too high (or surprisingly low). Even companies that own their own stores can use channel forecasts to project sales on a store-by-store basis. Ideally, you should forecast unit sales and revenue results by product and by channel (perhaps down to the store or wholesale level) so that you can track progress after implementation and make changes if actual performance varies significantly from forecasts.

Forecasting approaches and data sources

There are a number of approaches to forecasting sales and costs, as shown in Table 12.3. Some rely on statistical analysis or modelling, whereas others rely on expert judgement. Note that for a forecast developed with a time series or causal analysis to be at all accurate,

Table 12.3 Selected approaches to forecasting

Forecasting technique	Description	Benefits/limitations
Sales force composite estimate	Judgemental approach in which sales personnel are asked to estimate future sales	Can provide valuable insights from customer-contact personnel but may introduce bias
Jury of executive opinion	Judgemental approach in which managers and sometimes channel members or suppliers are asked to estimate future sales	Combines informed judgement of many but may give too much weight to some individuals' estimates
Delphi method	Judgemental approach in which outside experts participate in successive rounds of input, leading to a consensus forecast	Minimises possibility of bias or overweighting one individual's estimates but is time consuming and accuracy depends on choice of experts
Online prediction market	Judgemental approach in which employees or consumers indicate their confidence in certain predictions through online trading in a mock stock market	Combines judgement of many people and can be an efficient forecasting method, but may involve bias towards longer-term predictions
Survey of buyer intentions	Research-based approach in which buyers in a given market are asked about their purchasing intentions	Solicits market input but may not be indicative of customers' actual behaviour
New product test marketing	Research-based approach in which a new product's sales performance in limited markets is tested and the results used to forecast future sales	Reflects actual customer input but may be affected by competition or other factors
Time series analyses	Statistical approaches in which the patterns of historical data are analysed to predict future sales, e.g. moving averages, exponential smoothing	Use actual purchase data to produce forecast estimates quickly but assume that similar buying trends will continue
Causal analyses	Methods that statistically determine the relationship between demand and the factors that affect it, e.g. regression analysis, neural networks	Provide insights into relationships between factors that affect demand but require sufficient data for analysis

you must have sufficient historical sales data. At the same time, historical trends can be misleading if you're entering an entirely new market, so use judgement.

Some companies, including Google and Microsoft®, are supplementing executive opinion and other forecasting methods with *online prediction markets*. These operate like mock stock markets to crowdsource forecasts by seeing how thousands of people (usually employees, but sometimes consumers) rate the possibilities of each predicted outcome. Each participant is given a certain amount of 'money' to invest in one or more of the predictions being considered. The value of each prediction goes up or down, depending on how much is invested in it at any given time. Using an online prediction market allows management to tap the collective knowledge and experience of all the participants by seeing which predictions attract the most investment.[12]

In preparing forecasts, review the background information you've gathered about your markets, customers, channels and costs. Also consult industry associations, government information and financial analysts' reports when estimating future sales and costs, especially at the macro level. For a final 'reality check', compare your forecasts with the actual outcome of recent periods to identify major anomalies.

Preparing budgets and schedules

With sales and cost forecasts complete, you can develop an overall marketing budget and, within that budget, estimate spending for specific programmes and activities in line with your marketing plan objectives. Every marketer must make hard choices because marketing budgets (and other resources) are never unlimited. As with forecasts, some marketers budget for the most optimistic, most pessimistic and most likely scenarios so they are prepared to tackle threats and opportunities.

Your organisation may set budget requirements for return on investment, limit the amount or percentage of funding that can be allocated to certain activities or products, set specific assumptions, cap cost increases, or prefer a particular budget method or format. Your marketing budget should be linked to corporate-level goals and initiatives. Enhancing brand image and preference to fuel future growth is an ongoing priority for many companies as they approve marketing budgets.

Budgeting methods

Budgets may originate in the marketing department and move upwards for review (floor-up), originate at top management level and move downwards for specific allocations (top-down), or be constructed through a combination of floor-up and top-down methods (see Figure 12.1). The **objective and task budget method**, a floor-up option common in large organisations, allocates marketing funding according to the cost of the tasks to be accomplished in achieving marketing plan objectives. If you can relate specific tasks to specific objectives, this method offers good accountability; however, the combined cost may result in too high a budget, given your organisation's resources. For this reason, some large corporations use the **econometric modelling method** to calculate budgets using sophisticated formulas that take into account anticipated customer response, product profitability, competitive spending, economic factors and other relevant variables.

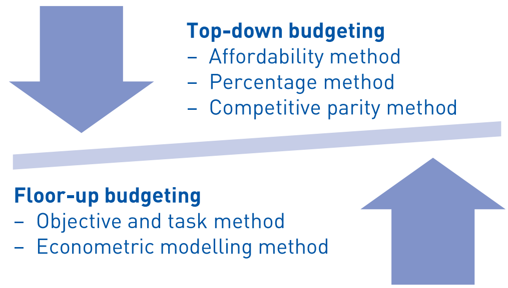


Figure 12.1 Top-down and floor-up budgeting methods

Your organisation may use one of the top-down budgeting methods. With the **affordability budget method**, senior managers set the amount of the marketing budget on the basis of how much the organisation can afford. Although simple, this method has no connection with market conditions, opportunities, potential profits or other factors. With the **percentage budget method**, the overall marketing budget is based on a percentage of the previous year's annual turnover, next year's expected turnover, the product's price, or an average industry percentage, without regard for market conditions.

With the **competitive parity budget method**, managers set a total marketing budget at least equal to that of competitors. But because no two organisations are exactly alike, mimicking another organisation's budget may be disastrous for yours. Few companies can (or should) match the annual advertising budget of Apple® (€1.56 billion) or Unilever® (€7 billion), for example.[13] If your organisation must compete with much larger firms, you'll need to be creative about budgeting for activities that will lead you to your objectives.

The top-down budgeting methods are relatively easy to apply, but they fail to relate costs to objectives. In practice, most marketing budgets combine top-down and floor-up methods, guided by higher-level strategic planning and product or brand-level input relative to objectives and costs. And because of economic uncertainty, among other factors, be prepared to budget for the best-case, worst-case and most likely scenarios.

Budgets within budgets

At this point, you can create separate budgets for specific marketing activities and programmes, schedule planned expenditures and fix responsibilities for spending. This allows you to compare the actual outlays with the budgeted outlays after the marketing plan has been implemented. You will want to prepare budgets (for annual, monthly and perhaps weekly costs) covering individual marketing-mix programmes matched with appropriate objectives (such as projected profit or return on investment).

In addition, you can establish budgets within your overall budget reflecting planned expenditures by market, segment, region, business unit, product or line/category, brand, activity or responsibility. This allows examination of performance market by market, product by product and activity by activity so that you and your managers can change budget priorities as appropriate. Set your budgeting priorities and make your allocation decisions based on a careful analysis of the external and internal marketing environments.

Planning schedules for implementation

When planning schedules for implementation, you'll estimate the start date, duration and deadlines for each programme or task to coordinate concurrent activities, prevent conflicts, obtain needed resources on time and track progress towards completion. Although you may not have to include detailed programme schedules when documenting your marketing plan for management review, you should summarise the schedule and responsibilities for major programmes. As with budgeting and forecasting, you may want to develop schedules for the most optimistic, most pessimistic and most likely situations – and be ready to make changes in response to emerging opportunities, threats or other factors.

When BMW® (ww.bmwgroup.com) decided to revamp its 7 Series luxury car, the Munich-based car manufacturer began planning the launch schedule four years in advance.

MARKETING IN PRACTICE
BMW®

Century old BMW® Group includes three car brands (BMW®, Mini and Rolls-Royce). The company sells 2.2 million cars worldwide each year, with its top three markets being Europe, Asia and the Americas. Although BMW® sets sales goals, profitability is the top priority for its marketing plans. With the 7 Series revamp, BMW® began planning four years before the launch date to move the model even further upmarket, with a new design and high-tech innovations. The model's traditional target market was executives who like being driven in stylish comfort, but BMW® was also targeting affluent, younger consumers interested in luxury and state-of-the-art technology, including self-parking, gesture-controlled music and programmable massage seats for rear passengers.

The official launch of the 7 Series was scheduled for the International Motor Show in Frankfurt in September, 2015, with new cars available in dealerships one month later. The marketing plan included a schedule of activities to build awareness, highlight product innovations and create buzz well before the launch date. For example, BMW® scheduled exclusive product presentations for 26,000 customers and potential customers months in advance of the car show. These previews demonstrated the 7 Series's unique features and luxurious design – and encouraged positive word of mouth that added to anticipation for the revamped model.

After the car show debut in September and before the 7 Series appeared in dealerships in October, BMW® scheduled a busy month of advertising and other marketing activities. For example, it arranged a one-day promotion with the ride-hailing company Uber® in four US cities to increase buzz about the launch. Uber® customers were able to order a free ride in a 7 Series to experience its luxury first-hand, which led to numerous comments in social media. Looking ahead, BMW® is using its marketing plans to focus on particular segments, such as millennials, and build brand preference for future purchases.[14]

Marketing plan analysis:

What other prelaunch marketing activities should BMW® schedule when planning for the introduction of a model redesign like the 7 Series?

Planning for marketing control

Marketing control is the process of setting standards and measurement intervals to gauge marketing progress, measuring interim results after implementation, comparing measurements with standards, diagnosing deviations from standards and taking corrective action if needed to achieve the planned performance. This is the focus of Stage 7 of the marketing planning process. Even the best plan will be ineffective without proper implementation and the ability to respond quickly to changing circumstances; a poor plan will not be improved by superb implementation. With marketing control, you can see exactly where and when results fall short of or exceed expectations, then come to a decision about the action you will take.

Figure 12.2 shows how the marketing control process works. You'll start by developing standards based on your marketing plan objectives. Determine how often to measure interim results (e.g. by the day, week or month). After implementation, you'll begin to measure results. Next, you'll compare these measurements with the standards you set and diagnose any deviations from expected outcomes. Are interim results better than expected? If so, see how you can transfer what you learn to other elements of the same campaign or to future campaigns. Are results lower than expected? In this case, you'll want to take corrective action (e.g. by adjusting the timing or intensity of your marketing activities) to make up for the deviation from your planned results. To see whether your corrective action is effective, you'll evaluate the outcome during the next iteration of the ongoing control process, which may require you to adjust your measurement intervals or standards or both.

At times, the use of marketing control can raise ethical questions. Will marketers set less stringent standards or lower short-term sales forecasts in order to qualify for bonuses or promotions? Will they honestly and adequately explain deviations from expectations and amend or reverse their earlier decisions if necessary? Will marketers apply marketing control laxly or inconsistently if they feel pressured by senior managers to produce ever-higher quarterly results? This can lead to concentration on short-term progress to the detriment of long-term objectives and, in the extreme, illegal actions to make current sales or profits look better than they actually are.

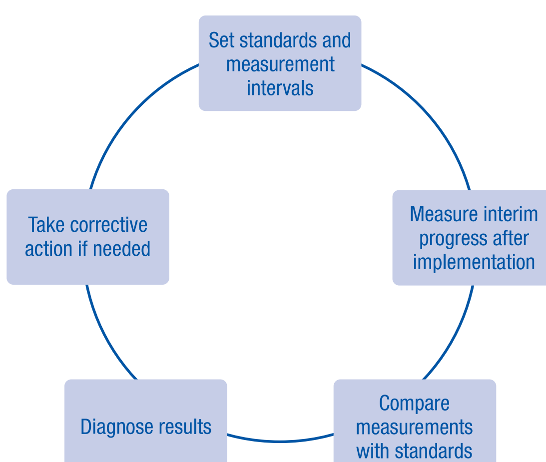


Figure 12.2 Applying marketing control

The marketing control process

The marketing control process starts with the objectives you have already set and the detailed forecasts, budgets, schedules and metrics you have developed to track post-implementation progress towards objectives. Next, determine exactly which standards must be met to show progress at each interval of measurement. Suppose your forecast calls for selling 500 units of a product in June, your financial metrics specify an average gross profit margin of 30 per cent and your advertising budget for June totals £3,000. During June, you can get early indicators of progress by measuring actual results daily and weekly; at the end of June you can measure full-month results and see whether you are meeting your forecast, metrics and budget standards.

The standards and measurement intervals used for marketing control will vary from organisation to organisation. Supermarket chains such as Sainsburys can measure store, product category, brand and individual item sales by day, week, month, quarter and year. Whatever standards and intervals you choose should provide sufficient information and time to diagnose an emerging problem. You do this by comparing actual interim results with preset standards, examining the magnitude and direction of variations and calculating the rate of change from the previous period's results. Assume that your non-profit organisation actually receives £2,000 in contributions during November, although your monthly forecast standard is £2,500. Your results are 20 per cent lower than the standard, which is a sizeable variation. However, sharply lower November results would signal an even more problematic trend if your October contributions were 10 per cent lower than the standard and your September contributions were 8 per cent lower.

How can you diagnose the cause and significance of any deviations from standards? Examine your actual results and recent trends in the context of your marketing activities, internal changes, shifts in customer behaviour, previous results, overall industry results and external market forces.

Actions based on marketing control

Depending on your interim results, you can take one of five actions. If measurements show no deviations, you can continue implementation as planned, unless you see changes in the marketing environment that might affect future performance. Even then, you may continue with your current marketing plan while you watch for a definite trend to develop. If interim results are much better than expected, you can use your diagnosis to maintain these outstanding results and enhance the implementation of other programmes.

If your actual results are much worse than expected, you can take corrective action by: (1) adjusting marketing programmes, schedules or budgets; (2) adjusting the standards or measurement intervals for your metrics; or (3) changing the assumptions factored into your marketing plan, such as the prevailing economic climate or increased price competition. In turn, changing a key assumption may cause you to change your objectives or other aspects of the marketing plan (see Table 12.4).

Table 12.4 Responding to the diagnosis of interim results

Action	Description
Continue with implementation	Leave programmes, timing, budgets, responsibilities, metrics and measurement intervals as planned
Maintain outstanding results and enhance implementation	Use the diagnosis to find ways of sustaining superior results and enhancing the implementation of other programmes
Adjust implementation to solve a problem	Change marketing programmes, timing, budgets and/or responsibilities as suggested by diagnosis of deviation
Adjust standards or measurement intervals	Switch metrics or make other changes that will allow more accurate or timely identification of potential problems
Adjust marketing plan assumptions	Change relevant assumptions on which strategies and programmes are based to fine-tune planning and implementation

Levels of marketing control

During plan implementation, you can apply marketing control at a number of different levels, as your organisation chooses. These levels include the following:

- *Business unit*. Is the marketing plan of a particular business unit achieving interim results as expected? How do these results compare with the results of the company's other units and with the industry in general?
- *Marketing-mix activities*. Are the planned product, channel, pricing and communications activities achieving the desired results? Is each product meeting sales targets and other standards? Are sales through each channel (and channel member) up to expectations? Are advertising campaigns achieving their awareness and response objectives? Are price changes stimulating sales and achieving financial objectives?
- *Programme*. How is each programme performing relative to the standards for results? Which programmes are yielding better results and which are yielding disappointing results?
- *Product or line*. Are individual products (or the entire line) meeting standards for progress towards objectives? Are the products or lines moving towards market share or sales targets?
- *Segment*. What are the interim results for each customer segment being targeted?
- *Geography*. What do interim results look like for each branch or region? What area-specific elements could cause deviations in certain branches or regions?
- *Manager*. For accountability, what is the status of each manager's results compared with agreed-upon standards?

- *Brand*. Is each brand performing up to the standards for financial and marketing results? How do results compare with those of other brands in the portfolio and with competing brands?

Organisations usually apply marketing control at multiple levels, both macro and micro. Also, measurement intervals are changing now that speeding products to market has become a priority for competitive reasons. Marketers should watch what competitors are doing and, if necessary, adjust as needed to maintain awareness and attention. Remember, forecasts and schedules are targets; your actual results may be slightly higher or lower over time as you move towards achieving full-year performance.

Types of marketing control

To determine the overall effectiveness of your marketing plan, you will use annual, financial, productivity and strategic control, applied at the various levels you have chosen. Table 12.5 summarises these four types of marketing control. **Annual control** allows you to evaluate the current marketing plan's performance in preparation for developing next year's marketing plan. How do the full-year results match up with the primary marketing, financial and societal objectives such as increasing sales and profits, strengthening customer loyalty or improving brand image?

Financial control is used to evaluate the marketing plan's interim and overall performance according to key financial measures such as sales (or contributions), profits, gross and net margin, costs and return on investment. You can compare actual expenditures with planned budgets, actual sales and costs with forecasts, and profit objectives with profit results at multiple levels (by product, market, segment, channel and so forth).

Productivity control is used to evaluate the marketing plan's performance relative to the efficiency of key marketing processes and activities. Whereas financial control is concerned with financial measures of performance, productivity control focuses on improvements to processes and activities that either decrease costs, or increase output.

Table 12.5 Annual, financial, productivity and strategic control

Annual control	Financial control
• Evaluate full-year and interim marketing plan performance • Identify ineffective or unsuitable programmes and activities • Identify ineffective or mishandled implementation	• Use financial measures to assess performance • Compare actual financial results with metrics, budgets and forecasts • Analyse profit and cost results at multiple control levels
Productivity control	**Strategic control**
• Evaluate the efficiency of marketing planning, processes and activities • Assess productivity due to higher output or lower costs • Gauge ability to transfer marketing learning and tactics	• Evaluate performance in managing the marketing function • Evaluate performance in managing key relationships • Evaluate marketing performance with regards to social responsibility and ethics

Strategic control is used to evaluate marketing's performance in managing strategic areas such as the marketing function itself, key relationships, social responsibility and ethics. It is applied quarterly, annually or semi-annually.

Also consider a **marketing audit**, a formal, detailed study of the planning process, plan implementation, personnel skills and motivation, use of resources and organisational responsiveness. A *brand audit* can show whether your planning and implementation are having the desired effect on awareness, image, preference and loyalty for each brand in your portfolio. Use Checklist No. 20 as a guide to assessing your plan's implementation.

ESSENTIAL CHECKLIST NO. 20
EVALUATING IMPLEMENTATION

You must be ready to identify potential problems and make changes quickly if actual results after implementation vary from expected results. Here are some questions to ask about marketing plan implementation.

- ☐ Were the appropriate personnel (internal and external) involved in planning and implementation?
- ☐ Were suitable metrics and measurement intervals selected for measuring progress towards achieving the plan's financial, marketing and societal objectives?
- ☐ Were marketing plan decisions made after investigating multiple options to address each opportunity, threat and competitive situation?
- ☐ Were marketing metrics, forecasts, schedules, budgets and implementation responsibilities delineated and realistic, coordinated properly and communicated effectively?
- ☐ Were marketing resources, internal activities and value chain activities properly coordinated and managed during implementation?
- ☐ How did marketing personnel deal with interim results that deviated from standards?
- ☐ How can marketing planning and implementation be improved in the future?

Contingency plans and scenario planning

You may need a **contingency plan** to be implemented in response to, or anticipation of, significant changes in the marketing situation that could disrupt important marketing activities. Look at your forecasts, schedules and budgets representing the most pessimistic and the most optimistic scenarios that could occur during the planning period, identify the worst-case scenarios that could be most damaging to your ability to achieve marketing plan objectives, then create plans for coping with those scenarios. Table 12.6 presents the main components of contingency planning for marketing. Some contingency plans deal with specific issues, while others deal with broader concerns.

Table 12.6 Contingency planning for marketing

Planning action	Purpose
Identify emergency situations and analyse their potential consequences for marketing	To understand the marketing activities, people and operations most likely to be disrupted by each possible emergency
Consider how emergencies might affect the organisation's suppliers, wholesalers and retailers	To prepare for the possibility of disruptions due to emergency situations elsewhere in the value chain
List advance preparations that can be made to minimise disruptions and restore normality	To have materials and procedures ready in the event of an emergency
Establish warning signs of impending crises	To help recognise when an emergency is developing and provide triggers for contingency plan implementation
Assign specific actions, responsibilities and priorities for containment and customer service	To prevent the crisis from becoming more severe by organising and coordinating an effective initial response to contain the problem and continue serving customers
Create a contingency communication plan	To keep internal and external publics informed about the situation, the response and future steps
Resolve the crisis and analyse outcomes of the contingency plan	To improve the contingency planning process by eliminating ineffective actions and learning from experience for better advance preparation

Contingency plans are valuable for coping with major challenges and large-scale emergencies brought on by uncontrollable external factors such as natural disasters, epidemics, terrorism, sabotage, computer system failures, transport cuts, extreme economic conditions, unusual competitive pressures, or the sudden withdrawal of a key supplier or customer. Less severe emergencies may disrupt (but not cripple) internal or external marketing activities – for an unknown period. However, a prolonged crisis may physically threaten employees, customers or suppliers, damage facilities or equipment, destroy products and supplies, and shut down channels.

The UK vote to leave the European Union caused many multinational companies to develop contingency plans for operating without disruption during and after the transition. For example, Wizz Air, a low-fare Hungarian airline that flies to Eastern and Central European destinations as well as to the UK, created a contingency plan to ensure that it could continue to fly to and from London with no interruptions. This plan detailed the steps Wizz Air would take (such as setting up a holding company in the UK) to qualify for a new UK air operator's certificate, depending on clarification of regulations governing airlines serving UK and European destinations.[15]

With **scenario planning**, marketers look beyond historical trends and short-term projections to envision broad, long-term changes in the marketing environment that could affect future performance, then prepare contingency plans for these possible situations.

The purpose is to have plans ready for implementation so your organisation can adjust its activities if these scenarios become realities.[16] Be sure to examine multiple links in your organisation's value chain to pinpoint and plan for potential problems.[17] If possible, conduct a simple SWOT analysis of the key partners in your value chain to understand where they stand. Ideally, you should work with suppliers and distributors to create contingency plans for situations such as supply problems and logistical disruptions.

CHAPTER SUMMARY

Stage 6 of the marketing planning process involves preparing to measure progress and performance. Key performance indicators are indicators that are vital to effective performance, as defined by the organisation's strategic goals and the marketing plan's objectives. Metrics are used to measure performance-related activities and outcomes numerically and on a regular basis. Forecasts project sales and costs for the marketing plan period so that management can compare actual results and identify deviations. Budgets may be developed using floor-up methods, top-down methods or a combination of methods. Marketers use schedules to define the timing of tasks and implement specific programmes and activities.

Marketing control is the focus of Stage 7 in the marketing planning process. This consists of: (1) setting standards and measurement intervals; (2) measuring interim results after implementation; (3) comparing measured results with standards; (4) diagnosing any deviations; and (5) taking action as needed. Contingency plans help an organisation to prepare to respond to potentially disruptive elements in its marketing situation. Scenario planning looks beyond historical trends and short-term projections to envision broad, long-term environmental changes that could significantly alter future performance.

A CLOSER LOOK

MARKETING AT McDONALD'S

Fast-food marketer McDonald's has been changing with the times. It's adding healthier menu items, testing table service, sourcing ingredients from local suppliers, offering mobile apps and mobile payment options and posting comments on social media. Since the company began expanding beyond its home country 50 years ago, it has created plans to attract customers and adapt to the preferences of each new market. For example, before McDonald's tests a new product or begins a new ad campaign, it prepares a detailed marketing plan for that market, complete with promotion budgets, sales forecasts and implementation schedules. These tools help the firm to manage the entire planning process and evaluate results to determine whether the product or campaign has achieved its objectives.

In Canada, McDonald's analysis revealed that its promotion of McCafés within more than 1,000 restaurants resulted in tripling the number of coffees served. This means that the firm's market share of coffee served outside the home in Canada doubled to nearly 12 per cent, a significant increase. Not only does coffee have a high profit margin, it is a frequently consumed menu item that helps McDonald's sell more breakfast items and compete with well-known restaurant chains such as Tim Hortons and Starbucks®.

Now McDonald's Canada is implementing a marketing plan to test stand-alone McCafés®, beginning with two Toronto locations that are smaller than traditional McDonald's restaurants. These McCafés® serve non-burger menu items such as fresh-baked croissants and artisanal sandwiches, reinforcing the café positioning and differentiating the restaurants from competing chains (and from traditional McDonald's outlets). Because of the simpler menu and smaller size, these cafés are less expensive to operate than larger McDonald's outlets. By evaluating the performance of these two locations, based on metrics such as number of customers, size of purchase transactions and profitability, McDonald's Canada will decide whether to plan for additional stand-alone cafés.

The senior vice president of marketing at McDonald's Canada conducts a marketing audit three times a year. She carefully examines external and internal reactions to McDonald's communications and products, seeking insights the company can apply to future marketing plans. She also monitors what McDonald's is doing in other international markets to identify ideas that might work in Canada, adapted and implemented based on in-depth knowledge of what local customers want and need.[18]

Questions

1. How might McDonald's Canada prepare sales forecasts for future stand-alone McCafé locations?
2. What contingency plan would you recommend that McDonald's Canada should consider if a major competitor such as Starbucks® begins a profit-sapping price war on coffee?

APPLY YOUR KNOWLEDGE

Review your work of researching a company's marketing, financial and societal objectives in the 'Apply your knowledge' exercise in **Chapter 5.** Now answer the following questions about this company's plan implementation, metrics and marketing control, and prepare a brief written or oral report to present your findings.

- What key performance indicators would you recommend for this company, given your knowledge of the company and its objectives?
- Does the company explain any metrics used to measure interim progress? How do they relate to the KPIs you recommend?
- Has the company revealed any of its forecasts or budgets? If so, what are they based on and how do they relate to its objectives?
- Has the company discussed any schedules for marketing activities, such as launching a new product or starting a new advertising campaign? If so, what connection do you see between the schedules and forecasts or budgets?

- What revenue and profit results has this company announced in recent months? If the company's actual financial performance is different from the planned results, what corrective actions have been taken?
- Did this company recently report changes related to marketing relationships, such as market share? How do these compare with the expected performance? What marketing control steps, if any, do you think this company should take right now – and why?

BUILD YOUR OWN MARKETING PLAN

Finalise your marketing plan by researching and estimating sales and costs, plus forecasts for industry, company and product sales, cost of sales, and sales and costs by channel. What sources will you use? Do your forecasts represent the most optimistic, most pessimistic or most likely situation? Are they appropriate for the current marketing situation? Next, develop a month-by-month marketing budget using the objective and task method and a budget for a specific programme or activity, such as advertising. Suggest two or three KPIs and identify appropriate metrics for your financial, marketing and societal objectives.

For control purposes, how often will you measure results and what standards are most important for monitoring progress? What corrective action might you take if actual unit sales for an important channel fell below your forecast? Is it important to apply marketing control by segment, geography, manager and/or brand? What areas will require strategic and productivity control? What worst-case scenario might require contingency planning? Document your thoughts in a written marketing plan.

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Appendix
Sample marketing plan: Lost Legends Luxury Chocolatier

The fictitious company Lost Legends Luxury Chocolatier is planning to market premium gourmet chocolates in the United Kingdom and, later, in Western Europe. These markets have high adult per capita consumption of, and spending on, chocolates, and demand continues to be strong whether economic conditions are improving or deteriorating. This is because premium chocolates are perceived as affordable luxuries and desirable gifts.

Although many confectionery companies target children, fewer firms are active in the adult segment and fewer still are active in upmarket chocolates made from sustainable ingredients. Also, our gourmet range will tap rising demand for dark chocolate products, which is forecast to grow more quickly than overall chocolate demand.

The sample plan illustrates the marketing steps that Lost Legends Luxury Chocolatier will take to launch its first products and compete with established confectionery companies. Notice how, in the plan, the contents, order of topics and section headings are tailored to fit the company's situation. Also notice that details (such as product-by-product pricing, programme schedules and programme budgets) are not in the main body of this sample plan, although they would be available in the appendix of an actual plan for readers who want more specifics.

Executive summary

Lost Legends Luxury Chocolatier is a new company planning to market premium gourmet chocolates. Initially, the target market will be UK adults and, later, the target market will include adults in Western Europe. The adult market for chocolates is smaller than the children's market. However, confectioners offering gourmet, premium-priced chocolates under well-regarded brands can potentially earn higher profit margins by targeting specific market segments. We will target three consumer segments and three business segments at the high-end of the gift, holiday and affordable personal luxury market, enhancing our positioning with superior-quality Fairtrade® Marked cocoa.

Our Belgian Legends product line will be introduced in September to allow time for building brand awareness and product trial prior to the Christmas period, when our seasonal Limited Edition Legends line will be featured. The main financial objectives relate to (1) first-year turnover in the UK market, (2) a minimum level of sales for each retail outlet, (3) achieving break-even within 16 months and (4) aiming for a minimum of 10 per cent gross profit margin by the end of the second year. Our main marketing objectives include building first-year brand awareness among consumers and businesses, expanding retail distribution, launching the e-commerce website and planning for new product introductions during the second year. Our main societal objectives are to support sustainability in a transparent manner and to use recycled materials in product packaging.

Key strengths are our family recipes, patented roasting process, cost-effective hand production and glamorous history. Weaknesses include lack of brand awareness and image, limited resources and lack of channel relationships. Our marketing plan will address three major opportunities: higher demand for premium chocolates, especially dark chocolates; growing interest in treats with mystique; and growing interest in socially responsible products. The main threats we must counter are intense competition, market fragmentation and uncertain supply prices.

Current marketing situation

The company was founded by the British descendants of a 19th-century Bruges chocolate maker who was famous for his unusually dark and intensely flavoured chocolates. In this pre-automation era, he mixed small batches using the finest ingredients, kneaded and tempered the chocolate to achieve a smooth, refined texture and poured his confections into hand-made moulds one at a time. Dozens of his recipes were handed down from generation to generation as the family moved from Bruges to the London area, but the chocolates were never produced commercially until now. After experimenting with roasting cocoa beans and updating the recipes as they prepared for a St Valentine's Day party, two entrepreneurial family members were inspired to patent the roasting process and launch a new business. The name 'Lost Legends Luxury Chocolatier' was chosen because it captured the romance of dark, rich Belgian chocolates made in the old-fashioned way from treasured recipes.

Europe has a long tradition of fine chocolate making, from leading brands such as Barry Callebaut, Lindt, Nestlé, Cadbury® and Ferrero to locally owned and operated artisanal chocolatiers. The top brands enjoy high awareness and high customer loyalty. Upmarket stores also sell private-label branded chocolates as well as domestic and imported premium brands, which adds to the competitive pressure. A number of smaller companies are successfully targeting specific niches within the adult chocolate market by offering hand-made chocolates, exotically flavoured chocolates, Fairtrade® chocolates, all-natural chocolates, lower-fat chocolates, holiday chocolates and gift chocolates.

Lost Legends Luxury Chocolatier will compete at the higher end of the gift, holiday and affordable personal luxury market. Our positioning is based on the hand-made, top-quality nature of our premium chocolates made from the finest, freshest, all-natural ingredients; our distinctive product and package differentiation; our exclusive brand image; carefully controlled production output; and highly selective distribution. Much of our marketing focus will be on the use of Fairtrade® Marked cocoa, purchased through sources that ensure growers receive a fair price. By actively promoting socially responsible sourcing of top-quality cocoa (and other quality ingredients), we can support developing communities and encourage positive associations with our brand and products. We can also support the mystique aspect of our positioning by using only cocoa grown on a specific plantation renowned for the distinctive quality of the beans it produces and by promoting the high percentage of cocoa in our products.

Market summary

Currently, the world's highest per capita purchasing of chocolate products occurs in Switzerland, Germany, Austria, Ireland and the UK. Sales of chocolate in the Americas and the Baltic region remain strong, and Asia is a fast-growing market. Short-term forecasts suggest that UK sales of all chocolates will increase by about 2 per cent per year, while UK sales of dark chocolates will increase by more than 10 per cent per year. Artisanal and Fairtrade® chocolates have become increasingly popular over the past two decades, a trend that favours our product plans.

During the past five years, the overall value of chocolate confectionery products sold has been steadily rising. One reason is that marketers are raising prices to reflect higher costs for chocolate, vanilla and other ingredients. Another reason is that more consumers are buying premium products, particularly dark chocolates and products with a high percentage of cocoa. Again, this trend favours our product plans.

Looking at customer buying patterns, chocolate sales are subject to seasonality. Sales increase markedly before holiday periods such as Easter, Christmas and St Valentine's Day. However, sales can drop in extremely hot weather because: (1) stores must keep chocolate products chilled, which reduces the opportunity for impulse purchases; and (2) customers tend to buy sweets that are less perishable and retain their quality. We plan to introduce our first products in September, building awareness and word of mouth through multiple media so we can attract buyers during the critical year-end holiday purchasing period.

Consumer market

The three consumer market segments targeted by Lost Legends Luxury Chocolatier are middle- to high-income adults who: (1) like (or want) to reward themselves or their families with the affordable luxury of gourmet chocolates; (2) view upmarket chocolates as a suitable gift; and (3) buy fine chocolates as a tradition for St Valentine's Day, Christmas, Easter and other holidays.

According to research, women account for the majority of purchases in this segment, and they are increasingly interested in product and packaging as expressions of luxury and personality. Although they are aware of prices, they are also loyal to their upmarket chocolate favourites. Not surprisingly, the affluent adults in our targeted segments have sophisticated tastes, high expectations and demanding standards.

We will give buyers of premium chocolate another reason to feel good about Lost Legends Luxury Chocolatier: they will be buying a brand that is socially responsible as well as top-quality. Historically, sales of chocolate products containing Fairtrade® cocoa have increased more rapidly than those of other Fairtrade® products. This trend indicates an interest in the social responsibility aspect of chocolate products, which we will satisfy through our product and our transparency concerning ethical sourcing.

As shown in Table A.1, we plan to provide features that deliver valued benefits for the different needs of these targeted consumer segments.

Table A.1 Targeted consumer segments

Targeted segment	Characteristics and needs	Feature/benefit
Adults with middle-to-high income levels who buy fine chocolates for themselves or their families	• Prefer the cachet of luxury brands • Like small indulgences • Willing to splurge for themselves or loved ones • Appreciate the taste and quality of premium chocolates	• Customers can select the type and quantity of chocolates to accommodate tastes and budget • Premium brand image enhances perception of chocolates as a special treat • Fairtrade® Marked cocoa balances self-indulgence with social responsibility
Adults, primarily women, with middle-to-high income levels who buy fine chocolates for gifts	• Seek a gift that reflects personality of giver or recipient • Seek a gift with high perceived value • Seek a gift to delight the senses • Seek a gift that is unique yet not excessively extravagant • Seek a gift with emotional associations • Seek a gift that is socially responsible	• Distinctive yet sustainable gift packaging adds to visual appeal, personality and perceived value • Top-quality, limited-edition chocolates make our products unique and uncommon • Fairtrade® Marked cocoa balances gift status with sense of social responsibility
Adults with middle-to-high income levels who buy fine chocolates for holidays	• View holidays as occasions to enjoy special treats • Have or want to create a tradition of enjoying special chocolates on certain holidays	• Seasonal/holiday packaging adds to our product's appeal for special occasions • Limited-edition range reinforces exclusivity • Fairtrade® Marked cocoa combines holiday tradition with social responsibility

Business market

Segments of the business market targeted by Lost Legends Luxury Chocolatier consist of professionals and business people who select or give gifts: (1) to clients and other business contacts; (2) to colleagues or managers on holiday occasions; and/or (3) customised by product, packaging or business logo. These segments represent a significant opportunity to build repeat purchasing and loyalty among businesses that prefer unique corporate gifts with wide appeal for various occasions. Many small chocolate shops accept or invite customised orders, but Lost Legends Luxury Chocolatier will aggressively target this segment and seek to build long-term customer relationships spanning gift-giving occasions and multi-year ordering.

Table A.2 summarises the features and benefits we can deliver to satisfy the needs of these targeted segments of the business market.

Table A.2 Targeted business segments

Targeted segment	Characteristics and needs	Feature/benefit
Professionals and executives who give gifts to clients and other business contacts, or who are responsible for selecting such gifts on the firm's behalf	• Want a gift with high perceived status and value • May influence selection but not actually purchase gifts • May give gifts but not actually make the purchase • May make the purchase but not actually give the gift	• Purchasers can select the type and quantity of chocolates to accommodate budget and occasion • Premium brand image enhances perception of chocolates as a gift • Fairtrade® Marked cocoa balances luxury with social responsibility
Professionals and business people who give gifts to colleagues or managers at holiday times	• Seek a gift with high perceived value • Seek a gift that is recognised as unique and exclusive • Seek a gift that is socially responsible	• Distinctive yet sustainable gift packaging adds to visual appeal and perceived value • Top-quality, limited-edition chocolates make our products unique and uncommon • Fairtrade® Marked cocoa balances gift status with sense of social responsibility
Professionals and business people who give customised gifts	• Want to reinforce corporate name in a tangible, memorable way • Want to give a gift not available to the general public • Want recipients to anticipate high-quality customised gifts • Want recipients to feel good about the social responsibility aspect of the gift	• Chocolates and packaging can carry a business logo as a visual reinforcement of the corporate name • Special packaging customised for business clients reinforces the uniqueness and exclusivity of the gift • Fairtrade® Marked cocoa combines holiday tradition with social responsibility

Market trends and growth

The chocolate confectionery markets in the UK and Western Europe are projected to grow modestly for the near future, with dark chocolate in significantly higher demand than milk or white chocolate. Gourmet chocolate brands have higher wholesale and retail value than mass-market chocolates, although per capita consumption does not match that of mass-market chocolates.

A growing number of Fairtrade® chocolates have gained distribution in national chains such as Waitrose®, as well as in independent shops. National advertising and sales promotions support sales of Cadbury®, Nestlé, Mars® and other mainstream chocolate marketers, especially prior to Easter and other holidays. Chocolate products made from cocoa beans native to specific regions or plantations carry a special mystique. An example is Hotel Chocolat, which markets products made from cocoa grown in the West Indies and also promotes tours of its plantation on St Lucia.

Product proliferation is adding to competitive pressure. Both for-profit and not-for-profit companies are introducing chocolate bars, truffles and novelties made from Fairtrade® ingredients. Smaller companies are making speciality chocolate products for niche markets, such as for people who want to avoid dairy products, for diabetics, and for people who prefer organic flavourings and ingredients. Established companies constantly introduce variations of truffles, bars, bonbons and other favourites to satisfy customers' variety seeking behaviour and counter brand-switching. In many cases, companies are offering their products directly to customers through online and printed catalogues. Buzz created by social media increases awareness of upmarket chocolates, influences brand preference and encourages product trial; because of our Fairtrade® cocoa, we will be able to communicate about sustainability as well as great flavour.

Marketing research

To stay in touch with our targeted segments and track emerging market trends, we are commissioning qualitative research that will investigate perceptions, attitudes and behaviour related to premium chocolate products in general and Lost Legends Luxury Chocolatier in particular. We will use marketing research to support new product development, plan public relations activities, understand our competitive situation and monitor progress towards awareness objectives. In addition, we will commission research to examine customer and channel satisfaction and to identify critical opportunities and threats. Finally, we will solicit feedback through our website, social media and manufacturers' representatives as part of our ongoing research.

Current product offerings

Initially we will offer two main product lines, both based on modern adaptations of family recipes and a proprietary cocoa bean-roasting process we recently developed. The first, Belgian Legends, features 12 dark chocolates named for Belgian cities, such as Antwerp (dark, fruity flavour) and Bruges (extra dark, high cocoa content, sprinkled with *fleur de sel*). This product line will be available all year and both the chocolates and packaging can be customised for corporate gift-giving. In subsequent years, we will add between two and four new varieties and retain the best-selling eight to ten chocolates from the previous year, as measured by sales volume. We will also offer special packaging for three holiday seasons: Easter, Christmas and St Valentine's Day.

Our product plan has the following competitive advantages: (1) the product line and packaging are freshened and updated on a regular basis; (2) customers can find their favourites year after year, holiday after holiday; and (3) the product line and the names of individual chocolate varieties reflect our family's background and tradition. The plan supports steady year-round purchasing and encourages impulse and gift purchases during peak selling periods.

The second product line, Limited Edition Legends, features chocolates in one of two seasonal shapes and matching packaging: seashells for summer and snowflakes for winter. Each season we will bring back the seashell or snowflake favourites in new packaging. By restricting production and distribution of these limited-edition chocolates, and planning each seasonal announcement as a media event, similar to those for new wine vintages, we will build buzz and customer demand. Premium chocolates have been offered in limited editions for some time, but mainstream manufacturers such as Godiva, Cadbury®, Nestlé and Mars® have brought the practice to a wider audience® by regularly offering limited editions of well-known chocolate treats.

The use of limited editions has the following competitive advantages: (1) the temporary introduction of seasonal varieties will give sales a strong, relatively predictable boost during specific periods; (2) loyal customers will be able to buy some favourite chocolates in every season; and (3) the perceived value as a gift will be higher because these varieties are not available throughout the year. As a result, we can capture customer interest before and after peak holiday periods and fulfil consumer and corporate needs for unique, value-added gifts on demand.

Business Environment

Lost Legends Luxury Chocolatier will begin operations in an environment shaped by a number of external factors. A SWOT analysis of our strengths, weaknesses, opportunities and threats is presented elsewhere in this plan.

- *Political forces.* As chocolate makers, we must be knowledgeable about political conditions in the nations where we obtain our cocoa and other supplies, and about import/export changes. We must also monitor the political situation domestically and throughout Europe as we plan to expand to new markets, especially now that the UK is leaving the European Union and negotiating new trade deals with European nations.
- *Economic trends.* Economic conditions are not uniform throughout the UK and the European market, which will affect our ability to forecast sales and profits during the first year. Because buyers of upmarket chocolates routinely seek out new specialities, our initial sales should be strong and give us a competitive edge. We must also monitor the economic climate in Ghana, where we source our Fairtrade® Marked cocoa beans. Sharply higher demand for cocoa, particularly Fairtrade® cocoa, has led to increased investment in new cocoa production methods and to higher production output by the major chocolate processors, which may affect our costs. We are aware that currency fluctuations resulting from Brexit may affect our costs for cocoa beans and other ingredients.
- *Social–cultural trends.* The Fairtrade ®Marked system, designed to ensure that growers are equitably compensated for their cocoa beans, is emblematic of a larger movement towards socially responsible business operations, with which we will be associated. As consumers and business customers become more knowledgeable about the social issues connected with chocolate production, our offerings are likely to be perceived favourably. Our products take advantage of the trend towards supporting small, local brands in a world dominated by giant multinational corporations. We also recognise that attitudes towards sweets are influenced by concerns about nutrition and unhealthy foods. Our communications will therefore position fine chocolate products to be enjoyed by adults as special treats or on special occasions.

- *Technological trends.* Although our chocolates will be hand-produced, the special roasting process for our cocoa beans relies on new technology that we have protected through patent. Technology will enable us to communicate more efficiently and effectively with our customers, suppliers and channel partners. In addition, our automated inventory management system will help us forecast future demand, plan for supplies, plan for production and plan for distribution to ensure that we and our intermediaries have the right products in stock when needed.
- *Ecological trends.* With a focus on sustainability, we are buying Fairtrade® Marked cocoa that is grown in an ecologically sound manner. We are also planning eco-friendly packaging using recycled materials and inks that do not pollute. For transparency purposes, our communications will explain our ethical sourcing of ingredients and how we protect the natural environment.
- *Legal factors.* Our company must comply with all regional and national laws and regulations governing product quality, labelling, ingredients and many other aspects of the business. For example, any 'organic' chocolate product must comply with rules for organic certification. Similarly, our communications must comply with applicable laws in localities where we reach out to consumers and business customers.
- *Competition.* We face competition from Callebaut, Lindt, Neuhaus, Perugina, Nestlé, Cadbury® and Godiva, among other major rivals. These companies have established brands and sizeable advertising budgets, yet they are not immune to industry competition and the effect of economic conditions on product sales. Lindt, for example, is accelerating global expansion through new retail shops in prime markets. We compete with Green & Black's, Divine and other brands specialising in Fairtrade® chocolate; we also compete with Hotel Chocolat, Montezuma and other speciality chocolate makers that have upmarket shops and retail websites. Lost Legends Luxury Chocolatier will emphasise exclusivity by restricting distribution to selected shops, using our heritage and sense of social responsibility to differentiate our products, promoting our patented roasting method and communicating our commitment to hand-made quality.

SWOT analysis

Lost Legends Luxury Chocolatier can leverage several core competencies and key strengths in addressing lucrative opportunities in consumer and business market segments. As a new and unknown company, however, we must counter weaknesses that could threaten our ability to achieve turnover and profitability objectives. Table A.3 shows our SWOT analysis.

Strengths

Among the internal capabilities that support our ability to achieve long-term and short-term objectives are the following:

- *Unique, time-tested recipes.* No other chocolatier sells the unusually rich, flavourful chocolates we can offer, updated from dozens of original recipes developed in the Steenstraat section of Bruges – a city renowned for delicious hand-made chocolates.

Table A.3 SWOT analysis

Strengths	Weaknesses
• Unique, time-tested recipes • Patented roasting process • Cost-effective hand production • Glamorous history and heritage	• Lack of brand awareness and image • Limited resources • Lack of channel relationships
Opportunities	**Threats**
• Higher demand for premium chocolates, particularly dark chocolates • Growing interest in brands with mystique • Growing interest in socially responsible products	• Intense competition • Market fragmentation • Uncertain supply prices

- *Patented roasting process*. Our legally protected, proprietary process for roasting cocoa beans results in a distinctively rich flavour and complex aroma that add sensory appeal to the finished product.
- *Cost-effective production*. Drawing on family records and supplier connections, we have perfected a cost-effective method for producing consistently high-quality chocolates by hand.
- *Glamorous history*. Publicising the legend of our family's original recipes and generations of chocolate making will evoke vivid images of old-fashioned quality and enhance the brand's glamour.

Weaknesses

Some of the internal factors that might prevent Lost Legends Luxury Chocolatier from achieving our objectives include the following:

- *Lack of brand awareness and image*. Lost Legends Luxury Chocolatier is a new company and therefore has no brand awareness in its targeted segments. We must effectively position our brand, create a premium image and communicate product benefits in order to build positive perceptions and attract customers.
- *Limited resources*. Much of our first-year budget is committed to funding production and internal operations, leaving limited funds for paid marketing messages. We will therefore put more emphasis on social media, web-based marketing, special packaging, sampling, public relations and special events to generate buzz, gain brand awareness and attract buyers.
- *Lack of channel relationships*. Most of our competitors own their own shops or have long-established relationships with leading retailers serving affluent customers. We are in the process of convincing exclusive speciality shops, leading department stores and other select retailers that our products are compatible with their merchandise assortments and will be profitable to carry.

Opportunities

We plan to exploit the following key opportunities:

- *Higher demand for premium chocolates*. More people see premium gourmet chocolates as an affordable luxury and therefore buy such products for themselves and for gifts. UK customers are familiar with premium chocolates and accustomed to paying more for ultra-high-quality products, especially those made from Fairtrade® ingredients. Also, corporate demand for premium chocolates is rising due to interest in status products that can be given as gifts to almost any business contact (unless restricted by religious or cultural traditions).
- *Growing interest in brands with mystique*. Research suggests that customers (both consumers and business buyers) want more than a branded chocolate – they want to know the story behind the product, appreciate the artisanal craft and share in the product's mystique. Our company's connection with the family's legendary Bruges chocolates is an intriguing story to be publicised; the unique recipes, limited-edition products and special packaging add to the mystique.
- *Growing interest in socially responsible products*. The use of Fairtrade® Marked cocoa (and coffee) will appeal to consumers who like the idea of supporting socially responsible products. It will also differentiate our products from those of companies using cocoa beans not grown by Fairtrade® farmers. Many companies already produce Fairtrade® chocolate products for the UK market, which shows how interest has grown and suggests that competition is likely to become more intense as this niche expands.

Threats

We recognise the need to counter the following threats as we begin marketing our chocolates:

- *Intense competition and market fragmentation*. In addition to the major luxury chocolate makers with established brands, national advertising campaigns and sizeable market share, many smaller, local chocolate makers are attracting loyal customers. Among the companies that feature Fairtrade® chocolates in the UK market are Divine Chocolate and Green & Black's. Some retailers, including Waitrose®, have their own-brand Fairtrade® chocolate products.
- *Uncertain supply prices*. Initially, we will be buying supplies in limited quantities and will not qualify for the most favourable volume discounts. Also, the price of ingredients can vary widely according to crop conditions, weather and other factors. Thus, we must allow for an extra margin when we set retail prices and recalculate break-even and profit levels as we confirm our supply costs.

Key issues

Because weather is an uncontrollable environmental factor, it has a major effect on chocolate sales and cocoa bean production. Hot weather generally hurts sales and can affect chocolate production; cool weather allows both channel members and consumers more flexibility in transporting and storing chocolates. Lost Legends Luxury Chocolatier will forecast modest sales for the hottest summer months and be ready to increase production output if the weather is not extremely warm. Extreme weather conditions or crop diseases in Ghana will hurt cocoa bean production, making this key ingredient scarce and expensive. We are prepared to buy from alternative Fairtrade® sources if our primary growers cannot fulfil their contracts, in order to meet our first-year sales objectives. In this event, we will absorb higher costs and assume smaller profit margins for a limited period to avoid raising prices.

Product and package design are becoming increasingly important drivers of gift chocolate purchasing. Some companies are targeting niche markets such as golf-ball-shaped chocolates for men who play golf. Others are packaging premium gift chocolates in keepsake boxes that communicate status and elegance. Companies that emphasise Fairtrade® connections generally explain their positioning on labels and packaging. We will monitor these trends and research additional opportunities during the coming year.

Mission, direction and objectives

The mission of Lost Legends Luxury Chocolatier is to make exceptional, all-natural sweets that delight and inspire chocolate lovers. Our top-quality, premium chocolates are updates or variations of cherished family recipes, all produced by hand from the finest, freshest ingredients. We will use Fairtrade® Marked cocoa, coffee and other ingredients from socially responsible sources, as part of our mission to inspire.

Our priority is to build our brand first in the UK market and then gradually expand our focus to other European nations. Our initial year's direction is controlled growth through the establishment of the brand, development of two main product lines and targeting adults in consumer and business segments. In the second year, we will pursue growth through both market penetration and market development. Because of ongoing plans for limited-edition chocolate products, our growth will depend on product development as well. Based on this mission and direction, we have formulated the following primary objectives for our marketing plan:

- *Financial objectives*. The main financial objectives for Lost Legends Luxury Chocolatier are to: (1) achieve first-year turnover of £500,000 in the UK market; (2) achieve full-year retail sales of at least £10,000 per outlet in the retail channel; (3) reach the break-even point for UK operations within 16 months; and (4) achieve at least 10 per cent gross profit margin in our second year of operation.
- *Marketing objectives*. The main marketing objectives are to: (1) generate first-year brand awareness of 35 per cent within consumer segments and 40 per cent within business segments; (2) place our products in 50 exclusive shops and high-end department stores located in affluent UK areas; (3) have our UK direct-sales website fully operational when the first products launch; and (4) research and develop between two and four new Belgian Legends variations, based on family recipes and traditions, for introduction in the second year.
- *Societal objectives*. The main societal objectives are to: (1) support socially responsible trade by buying all cocoa from Fairtrade® Marked sources; and (2) increase the proportion of recycled materials used in product packaging to 100 per cent by the end of the second year.

Targeting and positioning decisions

As shown in Table A.1 and Table A.2, we are targeting specific segments of the consumer and business markets. In demographic terms, these are adults with middle-to-high income levels, professionals and business people. In behavioural terms, the targeted consumer segments consist of adults who buy fine chocolates for themselves, for holidays or as gifts. The targeted business segments consist of executives and corporations that buy fine chocolates as gifts, customised or not. Because the corporate gift market is growing faster than the consumer chocolate market, and because of the potential for higher customer lifetime value and better return on investment, we will invest heavily in the targeted business segments.

We will use differentiated marketing to reinforce the positioning of Lost Legends Luxury Chocolatier as a marketer of gourmet chocolates hand-made from 'legendary' family recipes using strictly fresh, high-quality natural ingredients drawn from socially responsible sources. This positioning is a competitive advantage and helps to establish a positive, upscale image in the minds of targeted consumers and business customers.

Product and brand decisions

Both of our initial product lines are based on updates of traditional family recipes and use our proprietary, patented cocoa bean-roasting process. The 12 chocolates in the Belgian Legends line are named for Belgian cities: Antwerp, Bruges and so on. The chocolates in the Limited Edition Legends line will be shaped like seashells (for the summer season) and snowflakes (for the winter season).

Packaging for both product lines will carry through the Belgian theme with stylised 19th-century artwork of the major cities on the boxes, velvet and satin ribbons, and choice of holiday or seasonal ornament to top each box. Our Lost Legends Luxury Chocolatier packaging will be instantly recognisable because of the distinctive colours and graphics. Customised orders will allow for corporate logos on each chocolate and on the ribbon and box. Limited-edition chocolates will also be individually wrapped in foil that is changed from season to season, adding to the feeling of luxury and exclusivity. Although some packaging will be retained from year to year, we will build customer anticipation by introducing elaborate new packaging for each holiday (Christmas, St Valentine's Day and Easter) and each new limited-edition range. Table A.4 summarises our main product marketing decisions.

The coming year's product development efforts will focus on researching and creating new chocolates to replace the slowest sellers in the Belgian Legends line. All new products must fit the high-quality tradition of our family recipes, yet incorporate new flavours or other product elements that will trigger repeat purchasing from current customers and attract new customers. Also, every new product should take advantage of our proprietary bean-roasting process and our commitment to socially responsible sourcing of ingredients.

The competitively distinctive 'legends' concept is central to our brand image. For brand identity purposes, the Lost Legends Luxury Chocolatier name will appear on every package, along with the name of the product line (Belgian Legends or Limited Edition Legends). Packaging, public relations, social media content and other aspects of our marketing will emphasise

Table A.4 Summary of product marketing decisions

Product mix	(1) Offer the Belgian Legends range all year round (2) Offer the Limited Editions Legends range seasonally, one for summer and one for winter
Product life cycle	(1) Retain the top-selling 8–10 chocolates in the Belgian Legends range each year (2) Replace the slowest-selling chocolates yearly with new flavours/variations (3) Bring back Limited Edition Legends in summer and winter to extend the growth part of the life cycle
New product development	(1) Develop at least two new Belgian Legends flavours or variations each year by updating family recipes (2) Track customer preferences, channel feedback, supplier ideas and market trends as input for new product decisions
Quality and performance	(1) Use only the finest, freshest, all-natural ingredients (2) Obtain Fairtrade® Marked cocoa from a single plantation renowned for its quality (3) Hand-produce chocolates that meet highest customer standards for competitively superior taste and texture
Features and benefits	(1) Offer a range of flavours and variations to satisfy different customers' tastes, preferences and need for novelty (2) Offer year-round, holiday and customised packaging to satisfy needs for gift status (3) Use packaging materials from sustainable sources to demonstrate commitment to environmental protection
Brand	(1) Emphasise the 'legends' concept to communicate the long family heritage of gourmet, hand-made chocolates (2) Link the brand to attributes such as exclusivity, artisanal quality, superior taste, fresh and natural ingredients and socially responsible sourcing
Design and packaging	(1) Offer chocolates in distinctive shapes and combinations that convey a sense of luxury and tradition (2) Create sustainable, attractive packaging that communicates the Bruges background and tradition of our chocolates (3) Offer special seasonal packaging for the Limited Edition Legends range (4) Offer special holiday packaging for the Belgian Legends range (5) For corporate orders, design custom chocolates and packaging with company logos

the 'legends' concept. We want customers to associate our brand with a decades-old family history of making top-quality chocolates by hand in the Bruges tradition, using the finest, freshest ingredients. And we want them to respond to our brand's association with social responsibility, as demonstrated through purchases of Fairtrade® Marked cocoa.

(In an actual marketing plan, more information about individual products, design, packaging and new product development would be shown here, with additional detail being shown in an appendix.)

Pricing decisions

We will price our two product lines differently. On the basis of our research, we will make Belgian Legends available in 200 g, 300 g and 500 g packages with introductory retail prices of £17, £24 and £34. Our wholesale prices will be 50 per cent lower than the retail prices, not including quantity pricing for retailers who sell a higher volume of our products. The Limited Edition Legends range will be priced at £1 higher per package, reflecting the limited period of availability and allowing Lost Legends Luxury Chocolatier to recoup higher costs related to these seasonal products. Holiday packaging will add £1 to retail prices, depending on the package and ornaments selected. These prices support our premium positioning, make our products valuable as corporate gifts and allow for a solid profit margin.

For comparison, the following is a sample of competitive prices for consumer products:

- An award-winning artisanal chocolate company offers a box of 25 assorted, hand-made dark chocolates for £20. The company actively markets to corporations, hotels and restaurants, with no minimum purchase and many personalisation options.
- An upmarket gourmet food retailer sells a gift-wrapped box of 25 assorted dark chocolate creams for £35, 182 g of individually wrapped chocolate wafers for £17.50 and 130 grams of dark chocolate and coffee truffles for £13.50. Corporate orders invited.
- A chocolate speciality boutique markets ethically sourced, 100 per cent organic, Fairtrade® chocolate products in wooden hampers filled with assorted dark and milk chocolate bars. The hampers are priced from £35 to £65. No corporate pricing or purchasing policies.
- A well-known chocolatier that markets on the basis of brand and tradition sells premium chocolates in everyday and holiday packaging, including hampers filled with assorted gourmet chocolates priced from £50 to £200. This company will create bespoke packaging and personalisation for corporate orders.

Our pricing for corporate orders will be higher than the pricing for our consumer products, depending on quantity, level of customisation and delivery instructions. For customers' convenience, we will pack and address all corporate orders, include a business card or a seasonal greeting and despatch all gifts for a nominal delivery fee. Once a corporate customer has provided names and addresses of gift recipients, we will keep the information on file and automatically provide it for updating when the customer places another order. Trained staff members will provide an extra service to encourage repeat purchasing and brand loyalty among corporate customers. The high level of personalisation and service is a convenience for our corporate customers.

By aggressively pursuing these more profitable corporate orders, we expect to attain our objective of breaking even on UK operations within 16 months. However, the timing of break-even is subject to change if the cost of cocoa rises dramatically, or other costs rise unexpectedly. As shown in the financial details section, our pricing is planned to support the objective of attaining 10 per cent gross profit margin on our second-year turnover.

(In an actual marketing plan, more information about pricing, costs and break-even would be shown here, with additional detail included in the appendix.)

Channel and logistics decisions

One of our major first-year objectives is to establish strong relationships with 50 upmarket shops that cater to affluent UK customers and have temperature-controlled storage for our chocolates. By restricting distribution to only one retail outlet in a given area, we can strengthen our luxury image, support the pricing strategy and more effectively reach higher-income customers. We will also use exclusive distribution to our advantage by educating store personnel about our patented roasting process, our Fairtrade® Marked ingredients, our recipes and our family 'legends'. During the initial product introduction period, we will provide channel members with sample chocolates and display packaging, posters publicising the 'legends' concept, product nutrition information and literature about Fairtrade® Marked sourcing.

To reinforce exclusivity, we will phase in Limited Edition Legends during each season. In the first week, only the top 20 per cent of our retail outlets (measured by sales volume) will receive the snowflake or seashell chocolates. During the second week, the next 20 per cent of the outlets will receive these seasonal chocolates. By the third week, all of our outlets will carry the product line. This approach rewards retailers that do the best job of selling our chocolates and gives their customers access to seasonal chocolates before anyone else. We will be using a push strategy to educate retail sales staff about our company and products, along with a special set of training activities that will keep sales people informed about the latest trends and motivate them to educate consumers. Our social media pull strategy will enhance awareness and encourage consumers to sample our products.

Our UK direct-to-consumer website will be operational by the time we launch the Belgian Legends line. The site will follow the 'legends' theme in describing our company background, recipes and hand-production methods. We will allow visitors to view each product and package in a larger format and check ingredients, nutrition information, pricing, delivery charges and other details before buying. The site will have separate ordering pages for consumer and business buyers and allow pre-orders for seasonal and holiday offerings (to be fulfilled through retail partners). Although non-UK buyers will be able to order online for direct delivery, we will open a separate Western European website during our second-year expansion.

Our logistics plan includes: obtaining quality ingredients (including cocoa from Fairtrade® Marked sources) and packaging components on schedule and in sufficient quantities; maintaining constant, optimal product temperature and protective packaging when delivering to retail outlets; checking that retailers store and display chocolates under proper conditions, and using shipping containers that preserve product quality when fulfilling orders placed online or by corporate customers.

(In an actual marketing plan, more information about channel relationships and logistics would be shown here with additional detail included in the plan's appendix.)

Marketing communications decisions

Given the company's start-up costs, our marketing communications and influence strategy will rely less on paid advertising than on public relations and special events, sales promotion, personal selling, direct marketing, and especially social media (see Table A.5). Our marketing

Table A.5 Summary of decisions about marketing communications

Technique	Activities
Advertising	• Targeted magazine ads to build brand awareness and acceptance among channel members and corporate customers • Channel-only advertising campaign to announce seasonal products as part of our push strategy • Use of digital, social and mobile media to engage and influence consumers, businesses and channel members
Public relations	• Media interviews, special events, news releases and social media interaction to build brand awareness and positive word of mouth among consumers, businesses and channel members • Creating buzz by arranging tasting events with several celebrity opinion leaders and posting photos and videos to social media • Communicating the 'legends' concept and associating it with the brand image • Communicating the use of Fairtrade® Marked cocoa to influence public perception of our social responsibility • Through social media interaction and other methods, gathering information about each public's attitudes and perceptions to shape messages and policies
Sales promotion	• Channel sales promotion to pave the way for personal selling by manufacturer's representatives, as part of our push strategy • Selective consumer sales promotion in the form of product samples distributed through luxury hotels, restaurants and shops • Sampling via vouchers downloadable from social media • Creating brand-building point-of-purchase displays for shops • Participating in industry trade shows • Sales force promotion to reward representatives for placing our chocolate in upscale shops, as part of our push strategy • Using hashtags to encourage viral sharing and discovery of branded content across social media
Personal selling	• Contracting with manufacturers' sales representatives to visit targeted retail shops and place our products, as part of our push strategy • Arranging for periodic personal, telephone and e-mail follow-up to gather feedback from channels and from customers • Providing ongoing training support to retail sales staff and manufacturers' representatives
Direct marketing	• Encouraging corporate customers, in particular, to visit our website and order customised products • Inviting consumers to visit our website to learn more about the 'legends' concept, see our products, locate nearby shops and submit queries or comments to management • Inviting consumers to continue the dialogue by subscribing to our e-mail newsletter and connecting on social media • Testing mobile marketing campaigns to reach and influence consumers during key shopping periods

messages will use the emotional appeal of status, incorporate the 'legends' concept and be consistent with our product's upscale, superior-quality positioning. Initially, we are choosing media that will bring our messages to the attention of prospective channel members and executives who buy or influence the purchase of corporate gifts.

Consumer advertising in upmarket magazines will be considered in our second year of operation. Throughout, we will use social media to engage our channel members, business customers and consumers, to stimulate positive word of mouth and to monitor response from our target audiences. We will also have a website optimised for mobile access and will test mobile marketing campaigns during peak purchasing periods.

We are designing public relations programmes to support our financial and societal objectives and to achieve our marketing objectives of (1) generating first-year brand awareness of 35 per cent within consumer segments (and 40 per cent within business segments) and (2) placing our products in 50 exclusive shops and department stores. Our sales promotion programmes will encourage channel participation and reward the outside manufacturer's representatives handling our products for arranging distribution through appropriate upmarket shops and department stores. The major consumer sales promotion planned for the first year is for UK luxury hotels and restaurants to give away product samples to their customers as an introductory 'taste' of our legendary chocolates.

For social media purposes, our content marketing strategy will focus on the mystique of single-plantation cocoa and the unique heritage of our recipes. We will explain how we source our cocoa, how we roast our beans and how we hand-craft each piece of chocolate, including images and videos suitable for sharing across social media platforms. Also we will be active on Pinterest®, YouTube® and other social media that attract gourmet food fans. Every new product will be previewed on our website and our social media accounts to generate buzz and encourage viral sharing.

Our direct marketing effort will centre on the website, with separate sections devoted to product and company information, the 'legends' behind our family recipes, corporate ordering, store locations and social responsibility activities. Visitors will be invited to e-mail feedback, comment on our blog, share comments on social media and subscribe to our free monthly newsletter. We will keep a sustainability dialogue going with audiences through messages, images and videos posted on social media platforms, coordinating with our retail and supply partners.

(In an actual marketing plan, more information about programmes, messages and schedules would be shown here, with additional detail included in the plan's appendix.)

Customer service and internal marketing

To support our marketing plan, we need good customer service to build positive relationships with channel members, corporate customers and consumers. We recognise that customers who buy premium chocolates expect perfection, as do our retailers. Therefore the manufacturer's representatives who call on our retailers will be allowed to replace chocolates and settle channel complaints as necessary. We will keep our representatives and our employees fully informed and trained to understand our products, marketing programmes and future plans. Our marketing staff will post updates and images on social media. By monitoring brand mentions constantly, we will be ready to respond quickly to social media comments, especially if service issues are involved.

We have a separate plan for delivering pre-purchase service, post-purchase service and service recovery to our business buyers. Two employees will be available to answer business customers' questions before orders are placed, monitor order fulfilment and communicate with customers about delivery schedules. They will also track deliveries and contact customers after delivery to check on satisfaction. On the basis of our interaction with business customers, we will adjust offerings, policies and procedures to improve our service and build our share of this potentially profitable market.

(In an actual marketing plan, additional information about service support and implementation would be included here and in the plan's appendix.)

Marketing programmes

Given below are summaries of our main integrated marketing programmes leading up to our product introductions in September and mid-November and continuing during the year-end holiday period. Associated schedules, budgets and responsibilities are included in the appendix. *[In an actual sample marketing plan, these details would be attached.]*

- *August*. Our push strategy will be strongest one month before the Belgian Legends product range is introduced, to prepare channel members. Employees and manufacturer's representatives will visit each participating retailer to provide product training, samples and display materials. Full-page colour advertisements in major confectionery and chocolate industry magazines and digital ads on selected industry websites will introduce the brand and the 'legends' concept. Simultaneously, we will start our public relations efforts with media interviews, news releases and Facebook® posts focusing on the 'legends' concept and the family's Bruges-style chocolate recipes. One special media event planned for August is the arrival of a shipment of Fairtrade® Marked cocoa. Family members will discuss the quality of the chocolate and the importance of Fairtrade® in social media; the company will also post podcasts and YouTube® videos for downloading or forwarding. In addition, we will seek to influence targeted segments and resellers through communications on other social media networks, using hashtags to facilitate viral sharing of branded content. Social media targeting consumers will support our pull strategy and build anticipation for the product introduction.
- *September.* To launch the new product range, Lost Legends Luxury Chocolatier's founders and family members will travel to each retail outlet in an elegant horse-drawn coach and present the manager or owner with an ornate package containing all Belgian Legends varieties. This public relations event, to be covered by media outlets and taped for posting on social media platforms, will focus attention on the legendary family heritage of chocolate making and the old-fashioned gourmet quality of our products. During this month, participating upmarket hotels and restaurants will receive their first deliveries of Belgian Legends samples, also delivered by family members arriving by coach. Manufacturer's representatives will follow-up to ensure that every channel member has sufficient inventory and marketing material for the launch. Facebook® and Twitter® followers will have the opportunity to download a voucher for one free sample plus a sample for a friend.

- *October.* We will place colour advertisements in business magazines and in the business section of London newspapers to generate response from professionals and executives who buy premium chocolate as gifts for clients, colleagues and other business contacts. All advertisements will include the Fairtrade® Marked logo and a brief description of this trade programme. Our website will also be prominently featured, along with the store-location function. Our public relations programme for the month will focus on Fairtrade® Marked sourcing. Our manufacturer's representatives will participate in a sales contest to pre-sell the Limited Edition Legends line, which is launched in early November. Our first e-mail newsletter will be sent this month, with excerpts and photos posted on Facebook®. Customers and channel partners will be invited to watch a three-minute YouTube® video about our unique manufacturing process, our seasonal chocolates and our use of Fairtrade® cocoa. We will use Pinterest® to preview gift presentation ideas.
- *November.* Our website home page will promote Christmas gifts, especially the seasonal Limited Edition Legends chocolates and special holiday packaging. Packaging will also be 'pinned' on Pinterest® and promoted on Facebook®. Our channel promotions will highlight the Limited Edition Legends range for gift-giving and encourage retailers to order early. Public relations and social media activities will draw attention to the original family recipes on which our products are based and to the limited-edition concept. We will send holiday samples to opinion leaders to generate buzz and influence brand perceptions and preference.
- *December.* Our website will offer suggestions for last-minute chocolate gifts for consumers and business contacts. Manufacturer's representatives will visit every participating retailer to check on inventory, provide sales assistance, deliver additional display materials and provide other support as needed. Publicity and special events will showcase the 'legends' concept and our family's tradition of gourmet chocolate making. Marketing research will gauge interim awareness levels and attitudes among the targeted consumer and business segments. Our monthly e-mail newsletter, social media posts and mobile messages will focus on the history of chocolate and chocolate gift ideas. Internally, we will be preparing for the summer line of Limited Edition Legends and for other new products.

Forecasts and financial details

We are forecasting £500,000 in annual company turnover during our first full-year of operation, with a minimum of £10,000 in sales per participating retail outlet. Our forecasts call for annual turnover increases of 20 per cent during the next three years. We expect to reach the break-even point on UK operations within 16 months and achieve at least 10 per cent gross profit margin by the end of our second year. Due to constant variations in the price of ingredients such as cocoa, coffee and sugar, we can only estimate our cost of goods and then for only two or three months in advance. We will be monitoring the cost of ingredients and have contingency plans in case costs move dramatically higher. In the short term, as our volume increases and we buy supplies in larger quantities, we will be able to stabilise variable costs for up to six months. Therefore, our financial projections are subject to revision during the year.

(In an actual marketing plan, additional details would be shown in the appendix.)

Implementation and control

To ensure that our two product ranges are launched on time, we will adhere to weekly schedules and assign management responsibilities for supervising manufacturer's representatives, coordinating sales promotion activities, and briefing the public relations, advertising, research and website experts. Three key performance indicators for evaluating the effectiveness of our marketing plan are sales trends, brand awareness and customer retention.

Among the metrics we have selected to monitor progress towards our objectives are the following:

- Unit and monetary sales (analysed daily, weekly, monthly and quarterly by product, range, channel, outlet and type of customer)
- Profitability (analysed monthly by product range, type of channel and overall sales)
- Customer perceptions of and attitudes towards brand (quarterly research supplemented by monitoring of social media and direct customer feedback)
- Business customer retention and profitability (monthly analysis)
- Competitive standing (quarterly research)
- Channel member participation and satisfaction (quarterly analysis)
- Image as socially responsible company (semi-annual research)
- Use of recycled materials in packaging (quarterly analysis)
- Order fulfilment speed and accuracy (weekly analysis).

We will review interim progress weekly during the first year of operation, comparing actual results with forecasts, schedules and budgets and adjusting activities if needed. We have also developed a comprehensive contingency plan to ensure a continuous supply of Fairtrade® ingredients if unfavourable weather conditions or crop diseases threaten cocoa production in Ghana. A second contingency plan for repricing is ready to implement if cocoa or vanilla costs increase dramatically within a short period.

(In an actual marketing plan, additional details about implementation and control would be included in the appendix, along with summaries of any contingency plans.)

Sources

Background details and market environment ideas are based on information from the following: Sean Farrell and Hilary Osborne, 'Computers and chocolate set to get pricier after Brexit vote,' *The Guardian*, 7 July 2016, www.theguardian.com/money/2016/jul/07/computers-and-chocolate-set-to-get-pricier-after-brexit-vote; Oliver Nieburg, 'Decline or rise? Europe cocoa processing numbers released', *Confectionery News*, 13 April 2016, www.confectionerynews.com; Katherine Dunn, 'Chocolate processors struggle with factory glut', *Wall Street Journal*, 24 March 2016, www.wsj.com; Corinne Gretler, 'Lindt aims to dethrone Godiva in high-end

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Glossary

ad blocker Software that screens out certain types of digital advertising (Chapter 10)

advertising Non-personal promotion paid for by an identified sponsor (Chapter 9)

affective response Customer's emotional reaction, such as being interested in or liking a product (Chapter 9)

affordability budget method Method in which senior managers set the total marketing budget on the basis of how much the organisation can afford or will be able to afford during the period covered by the plan (Chapter 12)

annual control Type of marketing control used to evaluate the current marketing plan's full-year performance as a foundation for creating next year's marketing plan (Chapter 12)

attitudes Consumer's assessment of and emotions about a product, brand or something else (Chapter 3)

auction pricing Approach to pricing in which buyers are invited to submit bids to buy goods or services through a traditional auction or an online auction (Chapter 7)

audience fragmentation Trend towards smaller audience sizes due to the multiplicity of media choices and vehicles (Chapter 9)

available market All the customers within the potential market who are interested, have adequate income to buy and have adequate access to the product (Chapter 3)

Balanced Scorecard Broad performance measures that help organisations align strategy and objectives to manage customer relationships, achieve financial targets, improve internal capabilities and attain sustainability (Chapter 5)

behavioural response Customer's action in response to a marketing communication, such as buying a product (Chapter 9)

behavioural tracking Monitoring what consumers and business people do online as they visit websites, click on ads and fill virtual shopping trolleys (Chapter 3)

benefits Need-satisfaction outcomes that a customer expects or wants from a product (Chapter 6)

Big Data Unusually large, changeable and/or diverse sets of data that require special tools to analyse and interpret (Chapter 2)

brand equity Extra value that customers perceive in a brand, which builds long-term loyalty (Chapter 6)

brand extension Widening the product mix by introducing new products under an existing brand (Chapter 6)

brand promise Marketer's vision of what the brand must be and do for consumers (Chapter 1)

branding Giving a product a distinct identity and supporting its competitive differentiation to stimulate customer response (Chapter 6)

break-even point Point at which a product's revenues and costs are equal and beyond which the product earns more profit as more units are sold (Chapter 7)

budget Time-defined allotment of financial resources for a specific programme, activity or product (Chapter 12)

business (organisational) market Companies, institutions, non-profit organisations and government agencies that buy goods and services for organisational use (Chapter 3)

business strategy Strategy determining the scope of each unit and how it will compete, what market(s) it will serve and how unit resources will be allocated and coordinated to create customer value (Chapter 1)

buying centre Group of managers or employees responsible for an organisation's purchases (Chapter 3)

buzz marketing More intense form of word of mouth in which the organisation targets opinion leaders, with the aim of influencing them to spread information to other people (Chapter 9)

cannibalisation Situation in which one product takes sales from another marketed by the same organisation (Chapter 6)

category extension Widening the mix by introducing product lines in new categories (Chapter 6)

cause-related marketing Marketing a brand or product through a connection to benefit a social cause or non-profit organisation; also known as purpose marketing (Chapter 5)

co-creation Involving customers in a highly collaborative effort to develop novel new products to satisfy needs (Chapter 1)

cognitive response Customer's mental reaction, such as awareness of a brand or knowledge of a product's features and benefits (Chapter 9)

competitive parity budget method Method in which senior managers establish a total marketing budget at least equal to that of competitors (Chapter 12)

concentrated marketing Targeting one segment with one market mix (Chapter 4)

consumer market People and families who buy goods and services for personal use (Chapter 3)

content marketing Marketing intended to demonstrate thought leadership and engage or inform customers by communicating original content (Chapter 10)

contingency plan A plan to be implemented in response to or anticipation of a significant change in the marketing situation that could disrupt important marketing activities (Chapter 12)

core competencies Organisational capabilities that are not easily duplicated and that serve to differentiate the organisation from competitors (Chapter 1)

crowdsourcing Generating new product ideas or marketing materials from concepts, designs, content or advice submitted by customers and others outside the organisation (Chapter 6)

customer lifetime value Total net long-term revenue (or profit) an organisation estimates it will reap from a particular customer relationship (Chapter 4)

customer relationship management Forming and managing long-term connections with customers to better understand their needs and encourage brand loyalty (Chapter 9)

data mining Sophisticated analyses of database information used to uncover customer buying and behaviour patterns (Chapter 2)

demand How many units of a particular product will be sold at certain prices (Chapter 7)

derived demand Principle that the demand forecast for a business product ultimately derives from the demand forecast for a related consumer product (Chapter 12)

differentiated marketing Targeting different segments with different marketing mixes (Chapter 4)

direct channel Marketing channel used by an organisation to make its products available directly to customers (Chapter 8)

direct marketing Use of two-way communication to engage targeted customers and stimulate a direct response that leads to a sale and an ongoing relationship (Chapter 9)

distribution channel Set of functions performed by the producer or participating intermediaries in making a particular product available to customers; also known as the marketing channel (Chapter 8)

diversification strategy Growth strategy in which new products are offered in new markets or segments (Chapter 5)

dynamic pricing Approach to pricing in which marketers vary prices from buyer to buyer or from situation to situation (Chapter 7)

econometric modelling method Use of sophisticated econometric models incorporating anticipated customer response and other variables to determine marketing budgets (Chapter 12)

elastic demand Relationship between change in quantity demanded and change in price, in which a small percentage change in price produces a large percentage change in demand (Chapter 7)

elasticity of demand How demand changes when a product's price changes (Chapter 7)

environmental scanning and analysis The systematic and ongoing collection and interpretation of data about internal and external factors that may affect marketing and performance (Chapter 2)

ethical sourcing Obtaining goods or services from suppliers that meet certain ethical standards for acting responsibly towards people and the environment (Chapter 2)

ethnographic research Observing customer behaviour in real-world situations (Chapter 3)

exclusive distribution Channel arrangement where one intermediary distributes the product in an area (Chapter 8)

external audit Examination of the situation outside the organisation, including political–legal, economic, social–cultural, technological, ecological and competitive factors (Chapter 2)

features Specific attributes that contribute to a product's functionality (Chapter 6)

field marketing Sales promotions that take place in stores, shopping districts and office locations, where marketers can reach customers (Chapter 9)

financial control Type of marketing control used to evaluate the current marketing plan's performance according to specific financial measures such as sales and profits (Chapter 12)

financial objectives Targets for achieving financial results such as revenues and profits (Chapter 5)

fixed costs Business costs such as rent and insurance that do not vary with production and sales (Chapter 7)

flash retailing Temporary stores that 'pop up' in a location for a brief period; also known as pop-up shops (Chapter 8)

forecast Projection of the estimated level of sales and costs during the months or years covered by a marketing plan (Chapter 12)

freemium pricing Giving the basic product away free but charging for extra functionality or advanced features (Chapter 7)

frequency The number of times people in the target audience are exposed to an advertisement in a particular media vehicle during a certain period (Chapter 9)

goals Longer-term targets that help a business unit (or the organisation as a whole) achieve performance (Chapter 1)

greenwashing Perception that a company is marketing its products or brands on the basis of 'green' activities that have little or no actual ecological impact (Chapter 2)

grey market Channel situation in which wholesalers and retailers sell a branded product even though they aren't authorised to do so (Chapter 8)

hashtag A word or phrase, preceded by the # symbol, that identifies and facilitates social media comments about a topic, brand or product (Chapter 10)

indirect channel Marketing channel in which intermediaries help producers make their products available to customers (Chapter 8)

individualised (customised) marketing Tailoring marketing mixes to individual customers within targeted segments (Chapter 4)

inelastic demand Relationship between change in quantity demanded and change in price, in which a small percentage change in price produces a small percentage change in demand (Chapter 7)

influence network Network of social-media contacts in which dialogues between opinion leaders and consumers affect attitudes and behaviour (Chapter 3)

integrated marketing communications (IMC) Coordinating content and delivery of all marketing messages in all media to ensure consistency and to support the chosen positioning and objectives (Chapter 9)

intensive distribution Channel arrangement in which as many intermediaries as possible distribute the product in an area (Chapter 8)

intermediaries Businesses or individuals that specialise in distribution functions (Chapter 8)

internal audit Examination of the situation inside the organisation, including resources, offerings, previous performance, important business relationships and key issues (Chapter 2)

internal marketing Coordinated set of activities and policies to build employee relationships and reinforce internal commitment to the marketing plan and to good customer service (Chapter 11)

key performance indicators (KPIs) Indicators that are vital to monitoring effective performance, as defined by the organisation's strategic goals and marketing plan objectives (Chapter 12)

lifestyle The pattern of living reflecting how consumers spend their time or want to spend their time (Chapter 3)

line extension Lengthening a product line (or range) by introducing new products (Chapter 6)

logistics Flow of products, associated information and payments through the value chain to meet customer requirements at a profit (Chapter 8)

market The group of potential buyers for a specific offering (Chapter 3)

market development strategy Growth strategy in which existing products are offered in new markets and segments (Chapter 5)

market leader Firm that holds the largest market share and leads others in new product introductions and other activities (Chapter 1)

market-penetration pricing New product pricing that aims for rapid acquisition of market share (Chapter 7)

market penetration strategy Growth strategy in which existing products are offered to customers in existing markets (Chapter 5)

market segmentation Grouping consumers or businesses within a market into segments based on similarities in needs, attitudes or behaviour that marketing can address (Chapter 4)

market share The percentage of unit or monetary sales in a particular market accounted for by one company, brand or product (Chapter 3)

market-skimming pricing New product pricing in which a high price is set to skim maximum revenues from the market, layer by layer (Chapter 7)

marketing audit Formal, detailed study of the marketing planning process and the marketing function to assess strengths, weaknesses and areas needing improvement (Chapter 12)

marketing channel Set of functions performed by the producer or participating intermediaries in making a particular product available to customers; also known as the distribution channel (Chapter 8)

marketing control Process of setting standards and measurement intervals to track progress towards objectives, measure post-implementation interim results, diagnose any deviations and make adjustments if needed (Chapter 12)

marketing dashboard A computerised, easy-to-read depiction of marketing outcomes, as measured by key metrics, used to confirm progress and identify deviations from expected results (Chapter 12)

marketing objectives Targets for achieving results in marketing relationships and activities (Chapter 5)

marketing plan Internal document outlining the marketplace situation, marketing strategies and programmes that will help the organisation achieve its goals and objectives during a set period, usually a year (Chapter 1)

marketing planning Structured process that leads to a coordinated set of marketing decisions and actions, for a specific period, through analysis of the current marketing situation, clear marketing direction, objectives, strategies and programmes, customer service and internal marketing support, and management of marketing activities (Chapter 1)

marketing strategy Strategy developed to determine how the marketing-mix tools of product, place, price and promotion, supported by service and internal marketing strategies, will be used to meet objectives (Chapter 1)

marketing transparency Open and honest disclosure of marketing activities and decisions that affect stakeholders in some way (Chapter 1)

mass customisation Developing products tailored to individual customers' needs on a large scale (Chapter 4)

metrics Numerical standards used to measure a performance-related marketing activity or outcome (Chapter 12)

mission statement Statement of the organisation's fundamental purpose, pointing the way towards a vision of what it aspires to become (Chapter 1)

mobile marketing Getting information, directions, vouchers or other messages to target audiences via mobile through text, e-mail and websites optimised for handset screens (Chapter 9)

motivation Internal force driving a consumer's behaviour and purchases to satisfy needs and wants (Chapter 3)

multibrand strategy Using two or more brand names in an existing product line or category (Chapter 6)

multichannel marketing Providing a variety of distribution channels for customers to choose from when they buy goods or services at different times (Chapter 1)

negotiated pricing Approach to pricing in which buyer and seller negotiate and then confirm the final price and details of the offer by contract (Chapter 7)

neuromarketing Using brain science and body responses to investigate and understand consumer reactions to marketing activities (Chapter 3)

niches Small subsegments of customers with distinct needs or requirements (Chapter 4)

objective and task budget method Method in which money is allocated according to the total cost of the tasks to be accomplished in achieving marketing plan objectives (Chapter 12)

objectives Shorter-term performance targets that lead to the achievement of organisational goals (Chapter 1)

opinion leader Person who is especially admired or possesses special skills and therefore exerts more influence over certain purchases made by others (Chapter 3)

opportunity External circumstance or factor that the organisation aims to exploit for higher performance (Chapter 2)

organisational (corporate) strategy Strategy governing the organisation's overall purpose, long-range direction and goals, the range of businesses in which it will compete and how it will create value for customers and other publics (Chapter 1)

penetrated market All the customers in the target market who currently buy or previously bought a specific type of product (Chapter 3)

percentage budget method Method in which senior managers set the overall marketing budget on the basis of a percentage of the previous year's annual turnover, next year's expected turnover, the product's price or an average industry percentage (Chapter 12)

personal selling Personal contact for the purpose of selling, accomplished through in-person meetings, telemarketing or Internet chats (Chapter 9)

PESTLE Acronym for political, economic, social–cultural, technological, legal and ecological factors in the environment, analysed during the external audit (Chapter 2)

pop-up shops Stores that temporarily 'pop up' in a location for a brief period; also known as flash retailing (Chapter 8)

positioning Use of marketing to create a competitively distinctive place (position) for the product or brand in the mind of the target market (Chapter 1)

potential market All the customers who may be interested in a particular good or service (Chapter 3)

primary data Data from research studies undertaken to address a particular situation or question (Chapter 3)

product development strategy Growth strategy in which new products or product variations are offered to customers in existing markets (Chapter 5)

product life cycle Product's movement through the market as it passes from introduction to growth, maturity and decline (Chapter 6)

product line depth Number of variations of each product within one product line (Chapter 6)

product line length Number of individual products in each product line (Chapter 6)

product line width Number of product lines marketed by the organisation (Chapter 6)

product mix Assortment of product lines offered by an organisation (Chapter 6)

product placement Arranging for a product or brand to appear in a TV programme or a movie for marketing purposes (Chapter 9)

productivity control Type of marketing control used to evaluate the marketing plan's performance in managing the efficiency of key marketing activities and processes (Chapter 12)

psychographic characteristics Complex set of lifestyle variables related to activities, interests and opinions that marketers study to understand the roots and drivers of consumer behaviour (Chapter 3)

public relations (PR) Promoting a dialogue to build understanding and foster positive attitudes between the organisation and its publics (Chapter 9)

publics Groups such as stockholders, reporters, citizen action groups and neighbourhood residents that are interested in or can influence the organisation's performance; also known as stakeholders (Chapter 1)

pull strategy Targeting customers with communications to stimulate demand and pull products through the channel (Chapter 9)

push strategy Targeting intermediaries with communications to push products through the channel (Chapter 9)

qualified available market All the customers within the available market who are qualified to buy based on product-specific criteria (Chapter 3)

quality Extent to which a good or service satisfies the needs of customers (Chapter 6)

reach The number or percentage of people in the target audience exposed to an advertisement in a particular media vehicle during a certain period (Chapter 9)

rebrand To change an existing brand to a new brand (Chapter 6)

reference group A group to which consumers compare themselves and which can influence an individual's attitudes and behaviour (Chapter 3)

relationship marketing Marketing geared towards building ongoing relationships with customers rather than stimulating isolated purchase transactions (Chapter 1)

repositioning Changing the competitively distinctive positioning of a brand in the minds of targeted customers (Chapter 4)

retailers Intermediaries that buy from producers or wholesalers and resell to consumers (Chapter 8)

reverse channel Channel flow that moves backwards through the value chain to return goods for service or to reclaim products, parts or packaging for recycling (Chapter 8)

reverse showrooming Situation in which customers see a product online or on social media and then go to a store to buy it (Chapter 7)

sales promotion Incentives to enhance a product's short-term value and stimulate the target audience to buy soon or to respond in another way (Chapter 9)

scenario planning Type of planning in which managers look beyond historical trends and short-term projections to envision broad, long-term changes in the marketing environment that could affect future performance, then prepare contingency plans to cope with these possible situations (Chapter 12)

schedule Time-defined plan for coordinating and accomplishing tasks connected to a specific programme or activity (Chapter 12)

search engine optimisation (SEO) The process of modifying content, website characteristics and content connections to improve search engine rankings of a particular website (Chapter 10)

search experience optimisation Optimising the search experience to make it fast and easy to locate exactly what's wanted, regardless of the digital device used (Chapter 10)

secondary data Information collected in the past for another purpose (Chapter 3)

segment personas Fictitious yet realistic profiles representing how specific customers in targeted segments would typically buy, behave and react in a marketing situation (Chapter 4)

segments Customer groupings within a market, based on distinct needs, wants, behaviours or other characteristics that affect product demand or usage and can be effectively addressed through marketing (Chapter 1)

selective distribution Channel arrangement in which relatively few intermediaries distribute a product within an area (Chapter 8)

service recovery How the organisation plans to recover from a service lapse and satisfy the customer (Chapter 11)

showrooming Situation in which customers examine goods in a store but then choose to buy online (Chapter 7)

social media Online media such as Facebook®, Twitter® and YouTube® that facilitate user interactions of posting, exchanging and commenting on content (Chapter 10)

social media marketing The use of social media technologies, channels and software to achieve marketing plan objectives (Chapter 10)

societal objectives Targets for achieving results in social responsibility areas (Chapter 5)

strategic control Type of marketing control used to evaluate the marketing plan's effectiveness in managing strategic areas such as the marketing function, key relationships and social responsibility/ethical performance (Chapter 12)

strength Internal capability or factor that can help the organisation achieve its objectives, capitalise on opportunities or defend against threats (Chapter 2)

subculture Discrete group within an overall culture that shares a common ethnicity, religion or lifestyle (Chapter 3)

sustainable marketing Establishing, maintaining and enhancing customer relationships to meet the objectives of the parties without compromising the ability of future generations to achieve their own objectives (Chapter 1)

SWOT analysis Evaluation of an organisation's primary strengths, weaknesses, opportunities and threats (Chapter 2)

target market All the customers within the qualified available market that an organisation intends to serve (Chapter 3)

targeting Determination of the specific market segments to be served, order of entry into the segments and coverage within segments (Chapter 1)

threat External circumstance or factor that may hinder organisational performance if not addressed (Chapter 2)

undifferentiated marketing Targeting the entire market with one marketing mix, ignoring any segment differences (Chapter 4)

value From the customers' perspective, the difference between a product's perceived total benefits and its perceived total price (Chapter 3)

value chain Sequence of interrelated, value-added actions undertaken by marketers with suppliers, channel members and other participants to create and deliver products that fulfil customer needs; also known as supply chain *or* value delivery network (Chapter 8)

variable costs Costs for supplies and other materials, which vary with production and sales (Chapter 7)

viral marketing Marketing that actively encourages content sharing by social media users (Chapter 10)

virtual product Product that exists in electronic form as a digital representation of something (Chapter 6)

weakness Internal capability or factor that may prevent the organisation from achieving its objectives or effectively addressing opportunities and threats (Chapter 2)

wholesalers Intermediaries that buy from producers and resell to other channel members or business customers (Chapter 8)

word of mouth People telling other people about a product, an advert or some other aspect of an organisation's marketing (Chapter 9)

Index

Note: Page entries in **bold** denote Glossary entries.

#RedNoseDay® 203
99p Stores® 135

A
accountability 178, 248, 253
adaptation of prices 16
ad blockers 198, **283**
Adidas® 55–6, 230
Adobe Systems® 242
advertising 173, 179–80, 277, **283**
  co-operative 185
  digital advertising 197–8
  planning of 181–2
Advertising Standards Authority 201
affective response 177, **283**
affordability budget method 249, **283**
agents, use of 155
Airbus® 81, 140, 245–6
AkzoNobel® 121
Aldi® 39
Alibaba Group® 156, 158
allowances
  for sales force 185
  on standard prices 144
Amazon.com® 31, 78, 140, 155, 158, 166, 222, 226
Ambler, Tim 10
annual control 254, **283**
Ansoff, H. Igor 91
Apple® 60, 111, 113, 117, 143, 219, 227, 249
apps *see* mobile marketing
Asda® 62, 140
attitudes of consumers 52, 56, **283**
auction pricing 145, **283**
Audi® 220
audience analysis 173, 176–7
audience fragmentation 181, **283**
audits *see* external audit; internal audit; marketing audit
Australia Post® 81
availability of products 131
available market 49, 50, **283**
awareness of brands 91, 120, 121, 177, 178, 186, 270

B
B&Q® 17
B2B (business-to-business marketing) 59, 60, 116, 229
Balanced Scorecard 92, **283**
Barclays bank® 242–3
BASF® 76
behavioural response 177, 189, **283**
behavioural tracking 63, **283**
behaviour, customer *see* customer behaviour
Belu® 120
benchmarking 40
benefits derived from products 131, 137, 143, **283**
Big Data 32, **283**
Birchbox® 184–5
blogs 54, 202 *see also* microblog; social media
BMW® 80–1, 250
Boeing 140
brand 254
brand audit 255
brand equity 118, 119, 122, 123, **284**
brand extension 110, 121, **284**
brand promise 10, **284**
break-even point 134, 142, **284**
Brexit (UK exiting EU) 6, 28, 35, 36, 256
'Bring back the bees' site 97–8
British Broadcasting Corporation (BBC)® 153
brokers 155, 166
budget 59, 177–8, 239, **284**
  affordability budget method 249
  within budgets 249
  competitive parity budget method 249
  econometric modelling method 248
  objective and task budget method 248
  percentage budget method 249

Bull, Sir George 17
bundling of goods for pricing 143
Burberry® 152, 167–8
business environment 268–72
business (organisational) market 48, **284**
business markets 48–52, 265–6
  segmentation variables in 75–6
business relationships 30, 33, 61
business strategy 16, 19, **284**
business-to-business (B2B) marketing 59, 60, 116, 229
business unit 253
buying behaviour *see* customer behaviour
buying centres 60, **284**
buying policy and procedure 59
buzz marketing 172, 173, **284** *see also* word of mouth

C

Cancer Research UK® 122
cannibalisation of products 111, **284**
Carnival 17
category extension 110, **284**
causal analyses 247
cause-related marketing 96, **284**
channel forecasts 246–7
channels *see* marketing channels
channel strategy 12
characteristics
  of business customers 75, 76
  of consumers 53, 73
charities, business involvement with 96
chat marketing 200–1
checklists
  brands 123
  business customer analysis 61–2
  channel planning 162
  consumer analysis 57–8
  content marketing 200
  customer service 228–9
  external environment 41
  implementation 255
  internal environment 30–2
  logistics 165
  media planning 182
  metrics 243–4
  mission statement 19
  objectives 100–1
  positioning 83
  pricing 137
  product planning 118
  sales promotion 186
  segmentation 78–9
  situational analysis 8
class and marketing 54
co-branding 119
Coca-Cola® 17, 121
co-creation 10, 109, **284**
cognitive response from customers 177, **284**
Coles® 32–3
Comic Relief 17, 202
communications *see also* integrated marketing
    communications; marketing communications;
    marketing communications tools
  audience response to 177
  internal marketing 231
  tools 173–5
company and product sales 246
company brand 120
competencies *see* core competencies
competition 28, 39, 111–12, 117, 140, 269
competitive advantage 26, 33, 39, 40,
    72–4, 78
competitive analysis 52, 140
competitive parity budget method 178,
    249, **284**
competitive pricing 144
concentrated marketing 81, **284**
consumer decision-making process 52
consumer markets 48, 52–6, 264, **284**
  characteristics and needs 53–4
  influence networks in 55
  segmentation variables in 73–4
content marketing 199, **285**
contingency plan 255–6, **285**
control in marketing 14, 251–7
core competencies 18, 31, **285**
corporate social responsibility *see* social responsibility;
    societal objectives
corporate strategy 14–16
costs
  fixed and variable 134
  forecasts 239
credit reports 30
crowdsourcing 109, **285**
cultural elements 54
currency fluctuations 132, 139, 140
current situation 6–8, 26–44 *see also* competitive
    analysis; external audit, internal audit
customer behaviour 52, 53
customer-influence strategies 12–13, 172
customer lifetime value 78, 119, **285**
customer loyalty 32, 94, 141
customer needs 8, 50, 65, 109, 116, 117
customer orientation 8
customer relationships 92, 219–20, **285**

customer service 218–29, 278–9
 and internal planning 218–21
 levels of 166
 marketing applications 219–21
 planning for 221–9
 strategy decisions 222
customised marketing 81, 84
cycles of budgeting and buying 59

D
daily deal sites 144
Danone® 95–6
data mining 32, **285**
data, primary and secondary 48, 62
David Jones® (store) 17
decision-making process (consumers) 52
Delphi method 247
demand **285**
 customer 138–40
demographics 41, 52, 53, 70, 75
derived demand 244, **285**
design of products 117, 122
differentiated marketing 80, **285**
differentiation 82
digital marketing *see also* Internet; mobile marketing; social media marketing; virtual products; websites
 advertising and ad blockers 197–8
 content marketing 199
 definition 196
 e-mail and chat marketing 200–1
 legal, ethical and regulatory issues 201
 websites and optimisation 198–9
direct channel **285** *see also* marketing channels
direction of marketing plan 91
direct marketing 175, 277, **285**
discounts 143–4, 185
distribution channel 152, **285** *see also* marketing channels
diversification 91–2
diversification strategy **285**
Domino's® 73, 196, 210
Dove personal care product® 229
dynamic marketing plans 6
dynamic pricing 144, **285**

E
eBay® 145, 155, 161
ecological concerns 28, 38, 72, 96, 97, 117 *see also* green marketing; greenwashing; sustainability, sustainable marketing
ecological trends 269
econometric modelling method 248, **285**
economic conditions 268
economic factors 35–6
elastic demand **285**
elasticity of demand 138, **286**
Electrolux® 91
e-mail 196, 197, 200–1, 209
environmental scanning and analysis 26–30, **286** *see also* current situation, situational analysis
equity, brand *see* brand equity
ethical considerations 37, 72, 115, 141, 179, 201 *see also* privacy issues; transparency in marketing
ethical sourcing 37, **286**
ethics 37
ethnographic research 62–3, **286**
European Union 6, 28, 30, 35, 36, 48, 139, 141, 201, 256, 268
Eurostat 58
evaluation of campaign 179
exclusive distribution 159, 160, **286**
Experian® 30
external audit 7, 28–9, 35, **286**
external environment 34–5
external influences, pricing
 channel members 140–1
 competition 140
 customers 137
 legal, regulatory, ethical and sustainability considerations 141
 market and demand 138–40
external relationships 59–61

F
Facebook® 33, 40, 54, 63, 108, 185, 190, 203, 279 *see also* social media
Fairmont Hotels® 225
Fairtrade products 264
family (umbrella) brand 120
features of products 116–17, 131, **286**
FedEx® 198
Ferrari® 112
field marketing 184, **286**
financial control 254, **286**
financial objectives 92–3, 142, 272, **286**
First Direct® 226
fixed costs 134, **286**
flash retailing 160, **286**
Ford Motor Company® 229
forecasts 244–8, **286**
 channel forecasts 246–7
 company and product sales 246
 costs of sales 246

and financial details 280
forecasting approaches and data sources 247–8
market and segment sales 245
sales and costs 239
types of 244–5
freemium pricing 142, **286**
frequency of exposure to advertising messages 181

G
games, mobile 108
GE Energy 59
General Electric® 59
geofencing 209
geography 253
market definition 50
segmentation 75
goals 9–10, **286**
Google® 31, 226
government regulation 38, 141
Green Globe® 38
green marketing 202 *see also* ecological concerns; sustainability; sustainable marketing
greenwashing 38, 155, **286**
grey market 157, **286**
growth and non-growth strategies 90
growth grid 9

H
hard-sell approach 181
Harrods® 135
hashtag **287**
Heinz® 152–3
hiring and training 230
Hogan, John 136
Honda® 181
Hyundai® 99, 100

I
IKEA® 130, 132, 133, 145–6
image of organisation or brand 172, 174, 178
implementation of plan 14, 238–59
indirect channel 155, 158, 159, **287**
individualised marketing 81
individualised (customised) marketing **287**
inelastic demand 138, **287**
influence network 55, **287**
Innocent Drinks 94
integrated marketing communications (IMC) 172, 180, 189, **287**
Intel® 63
intensive distribution 159, 160, **287**
intermediaries, use of 155, 157, **287**
internal audit 6, 14–17, 27–8, 31, **287**
internal environment 34
internal influences, pricing 133
costs 135
marketing-mix decisions 136
organisational and marketing plan objectives 134
product decisions and life cycle 136
targeting and positioning 136
internal marketing 13, 220, 278–9, **287**
employees and brand 229
strategy 230–1
internal relationships 59–61
Internet 26, 37, 155 *see also* Amazon.com®; blogs; Facebook®; LinkedIn®; online communities; online retailers; social media; TripAdvisor.com®; websites
Internet-based intermediaries 158
inventory levels 153
investment 31, 38

J
Jack Wills® (store) 54
Jaguar cars® 117
judgemental budget approach 247
juries of executive opinion 247

K
Kattan, Huda 203
Keller, Kevin 10
key issues for marketing 34
key performance indicators (KPIs) 239, **287**
Knorr® 205–6
knowledge
of products 177, 185
possessed by employees 219, 221
Kotler, Philip 10
KPIs (key performance indicators) 239, 241, 243, 257

L
labelling 109, 116–18
legal factors/issues 28, 38, 178, 201, 269
LEGO group® 90, 102–3
life-cycle, family 55
lifestyle patterns 55–6, **287**
limited-edition products 112
limited-time products 112
line extension 110, **287**
LinkedIn® 202 *see also* social media
logistics 12, 153, 154, 162–5, 276, **287**
Lost Legends Luxury Chocolatier (sample plan) 262
Louis Vuitton Moët Hennessey (LVMH) 131, 132
loyalty, customer 32, 94, 141
luxury products 132, 136, 142

M

Macy's® 17
maintenance marketing plan 92
mark-downs, prices 144
market 48, **287**
market and segment sales 245
market changes 50–1
market definition 48–50
market development strategy 91, **287**
market entry/exit 40, 42
market leaders 9, **287**
market-penetration pricing 142, **288**
market-penetration strategy 91, 142-3, **288**
market segmentation 9, 70, **288**
  positioning, targeting and segmentation 70–2
  pricing for segments 144
  variables 73–4
market share 51–2, **288**
market-skimming pricing 142-3, **288**
marketing audit 255, **288**
marketing channels 152, **288**
  length of 157–8
  membership of 152, 159–60, 173, 177, 185
  profit margins of members 139, 140
  reverse operation of 154–5
marketing communications and influence strategy 276–8
  buzz marketing 173
  planning 176–80
  pull and push strategies 176
  strategy 12–13
  tools 173–5
  word of mouth 173
marketing communications tools
  advertising 173
  direct marketing 175
  personal selling 174–5
  public relations 175
  sales promotion 174
marketing control **288**
  actions 252
  definition 251
  levels of 253–4
  process of 252
  types of 254–5
marketing dashboard 240, **288**
marketing judgement 243
marketing mix 101, 136, 253
marketing objectives 93–5, 272, **288**
marketing plans 3–4, 6, 9–11, 14, 15, 17–19, 28, 30, 32, 51, 57, 58, 61, 65, 71, 78, 81, 82, 85, 90–4, 98, 99, 108, 133, 134, 136, 139–42, 145, 152–4, 157, 158, 160, 161, 165, 172, 175–8, 180–3, 185, 186, 188, 191, 204, 225, 250, **288**
  benefits 4–5
  direction 90–2
  documentation of 14
  dynamic nature of 6
  implementation 14, 239
  objectives 92–5, 92–101, 220
  role 4–6
  sample plan 262–81
  stages in process of 6–14
marketing programmes 279–80
marketing progress, measurement and evaluation of 13–14, 93, 240–2
marketing research 62–3
marketing strategy **288**
marketing support 13, 16, 218–31
marketing transparency 7, **288** *see also* ethical considerations; transparency in marketing
Marks & Spencer® 155, 180
Mars 268
mass customisation 81, **288**
McDonald's® 112, 181, 238, 257–8
measurement of marketing progress 13–14, 93
media *see also* social media
  planning 181–2
Mercedes-Benz® 82
message planning 181
metrics 13, 239, **289**
  applying metrics 242–3
  internal and external metrics 240
  selection 241–2
Metro Bank® 82, 218, 231–2
Michelin® 40, 116, 117
microblog 202 *see also* blogs; social media
Microsoft® 142, 248
mission and mission statements 6, 17–18, 27, 289
mobile apps 206
mobile marketing 8, 12, 26, 42, 51, 73, 116, 117, 173, 174, 190, **289**
  location-based mobile marketing 208–9
  mobile apps and mobile payments 206–7
  privacy, security and legal issues 209
  QR codes 207–8
mobile stores 161
motivation 56, **289**
  of consumers 56

multibrand strategy 110, 111, **289**
multichannel marketing 12, 162–3, **289**
multinational corporations 139
multiple products pricing 143

N

Nagle, Thomas 136
Nationwide Building Society 178
needs *see* customer needs
negotiated pricing 145, **289**
Nestlé 10, 11, 109, 119
Net-a-Porter® 222–3
neuromarketing 63, **289**
neuromarketing and advertising 179–80
new products *see also* co-creation; crowdsourcing
  customer involvement 10
  development of 109, 110, 113–14
  growth through 9
  pricing and distribution of 142–3
news releases and news conferences 188
niche markets 72
niches **289**
Nike® 70, 84, 119, 229, 230
Nippon Steel® 157
Nissan® 9
non-governmental organisations (NGOs) 164
non-growth strategies 90
North American Industry Classification System (NAICS) 58

O

objectives 9–10, 177–8, 187, 189–90, **289**
  as distinct from goals 10
  financial objectives 272
  marketing 272
  of marketing plans 92–101
  organisational 134
  for pricing 134
  societal objectives 272
  and task budget method 248, **289**
  types of 93
Ocado® 7
OC Transpo® 227
online communities 188, 203
online marketing 154, 188, 197 *see also* Internet; social media marketing; websites
online prediction markets 247, 248
online research 62
online retailers 7, 161–2
opinion leaders 54–5, **289**
opportunity 28, **289**
order processing and fulfilment 163, 165
organisational resources 31
organisational (corporate) strategy **289**
Outnet.com 223
outsourcing 31
Oxfam® 155

P

packaging 116–18
paid search ads 197
Panasonic® 202
participation in the marketing process 231
past marketing experience 32
penetrated market 50, 91, **289**
Pepsi® 205
percentage budget method **289**
percentage-of-sales method of budgeting 178
performance of marketing *see* accountability; key performance indicators; marketing control; metrics
personal selling 174–5, 186–7, 277, **289**
personas in segmentation 81–2
PESTLE 28, 41, **290**
Phan, Michelle 203
Philips India® 51
photo sharing 202
Pinterest® 13, 203 *see also* social media
Pizza Hut restaurant® 209
place as a marketing tool 152
podcasting 189
political factors in marketing 35
pop-up ads 197
pop-up restaurants 161
pop-up shops 160–1, **290**
Porter, Michael 91
positioning 9, 82–3, 135, **290**
potential market 49, 50, **290**
Poundland® 134–5
Premier Inn® 74, 75
Prêt à Diner® 161
pre-testing 179
price-check apps 140
price controls and price fixing 141
prices, showrooming 162
price wars 140
pricing strategy 11–12, 133, 139
  external influences on 137–41
  internal influences on 133–4
  market-skimming and market-penetration 142–3
  value and 132–3

primary data **290**
primary research and primary data 62
privacy issues 37, 63
private brands 119, 120
Procter & Gamble (P&G)® 139
product
  attributes 110, 116, 121
  design 117
  development strategy 91
  knowledge 177, 185
  life cycle 109, 110, 112–13, 136
  lines, length and depth of 110
  mix 110
  new 109, 110, 113–14
  placement 178
  private brand 119–21
  virtual 108–9
product development strategy, 113–4, **290**
product life cycle 112–3, **290**
product line depth 100, **290**
product line length 110, **290**
product line width 110, **290**
product mix 110, **290**
product placement 174, 178, **290**
product/segment analysis grid 109
productivity control 254, **290**
profitability 29, 34, 80, 81, 92, 93, 112–14, 134, 143
promotion, sales *see* sales promotion
promotion strategy 12 *see also* communications; integrated marketing; integrated marketing communications; marketing communications and influence strategy
psychographic characteristics 56, **290**
public relations (PR) 172, 175, 188–9, 277, **290**
publics 7, 175, 176, 188, **290**
pull strategy 176, **290**
purpose marketing 96
push strategy 176, **290**

Q

QR (quick response) code 161, 207–8
qualified available market 49, 50, **291**
quality of products 115–16, 131
quantifiable measures 243
Qzone® 202

R

ranking of segments 77
reach and advertising 181, **291**
rebrand 122–3, **291**
Reckitt Benckiser (RB)® 16, 110, 112, 124
recycling 154, 155
reference groups 54–5, **291**
relationship marketing 8, 142, **291**
relevance of objectives 98
repositioning 82, **291**
resale price maintenance 141
research, market and customer 8, 34, 62–3
resources, allocation 31
retailers 32, 152–5, 158, 160, 162, 163, **291**
retail trends 160–2
retail websites 226 *see also* Internet; websites
retrenchment 92
return on investment (ROI) 93, 184
reverse channels 153–5, **291**
reverse showrooming 140, **291**
Review Centre 226
review websites 226
ROI (return on investment) objectives 242
Rolls-Royce Motors® 28, 116, 117
Ryanair® 48

S

Sainsbury's 252
sales, cost of 245
sales promotion 172, 174, 176, 182–5, 183–4, 277, **291**
sales representatives 155, 158, 174, 175, 187
sample marketing plan 262-81
Samsung Electronics® 60–1, 113, 116
SAP® 229
scenario planning 256–7, **291**
schedule 239, **291**
search engine optimisation (SEO) 198, **291**
search experience optimisation 198, **291**
secondary data 62, **291**
segmentation 9, 70–1, 140, 143, 144
  in business markets 75–6
  in consumer markets 73–4
  evaluation of 77–9
  process of 72–9
  variables 73–4
segment personas 81–2, **291**
segments **291**
selective distribution 159, 160, **292**
Selfridges 155
selling *see* personal selling
service and logistics objectives 163
service recovery 227–8, **292**
services
  channels for 155
  differentiation by 82
  perceived benefit of 73
  products 10, 108
showrooming 140, 162, **292**

Siemens® 13
situational analysis 8 *see also* current situation; external audit; internal audit
smartphones 154 *see also* mobile marketing
social community 202
social connections 54–5
social–cultural trends 268
social media 202, 226, 278, **292**
  control of conversations 203
  negative posts 204
  viral marketing 204–5
social media marketing 3, 11–13, 54, 84, 172, 173, 175, 202, **292** *see also* blogs; Facebook®; LinkedIn®; Pinterest®; Twitter®; YouTube®
social networking 202
social responsibility *see also* ethical considerations
  cause-related marketing 96
  charities and business 96
  ethical sourcing 37, **286**
  societal objectives 96–7
  websites 98, 99
societal objectives 93, 96–7, 142, 272, **292**
soft-sell approach 181
Sotheby's 145
specificity of objectives 98
Specsavers® 49–2, 82
stakeholders 7, 188
standards of performance 230
Starbucks® 206, 207
stock levels 163
storage arrangements 163
strategic control 254, 255, **292**
strategy, levels of 14–17
strength 27, 28, **292** *see also* SWOT analysis
subcultures 54, **292**
subscription sampling boxes 184
supply chain *see* value chain
support, marketing 13, 16 *see also* internal marketing
sustainability 141
  ecological concerns 38, 97, 115
  ethical sourcing 37, **286**
  greenwashing 155
  reports 98
sustainable marketing 7, **292**
SWOT analysis 27, 29–30, 153, 268, **292**

T
tangible and intangible products 10
Target 158
target audience 176–7
targeting and target markets 9, 49–50, 77–82, 135, 176–7, 183, **292**
targeting process
  concentrated marketing 81
  differentiated marketing 80
  individualised marketing 81
  segment personas 81–2
  undifferentiated marketing 79–80
tariffs 141
taxes and pricing 141
technological change 28, 269
teen markets 54
Terani Couture® 37
Tesco® 92, 116, 120, 140
Tesco Bank® 203
Tesla Motors® 114–15
threat 28–9, **292** *see also* SWOT analysis
time series analyses 247
top-down budgeting 178
Topshop/Topman® 161
Toyota® 33, 38, 39, 120, 181, 190
trade barriers 72–3
trade shows 185
training of staff 230
transparency
  in marketing 7, 96, 189
  pricing 141
transportation 153, 154, 162–4
trial of products 183
TripAdvisor.com® 226
Twitter® 54, 185, 189, 190, 202, 203, 226, 227 *see also* microblog; social media

U
undifferentiated marketing 79–80, **292**
Unilever® 63, 91, 96, 98, 112, 139, 175–6, 229
Uniqlo® 156–7

V
value 17, 54, 130–3, **292**
  customer lifetime 78, 119
value chain **292**
  direct and indirect channels 155
  flows and responsibilities in 154
  reverse channels 154–5
  for services 154
variable costs 134, **293**
video ads 205
video sharing 202
Vietnam 72–3
viral marketing 204–5, **293**
Virgin 120
virtual products 108–9, **293**
virtual stores 161

W
Walgreens® 5
Walker's crisps 117
Wallmart® 38
Walt Disney® 139
weakness 2–28, 30, 33, **293** *see also* SWOT analysis
websites 198–9 *see also* daily deal sites; Internet; online communities; online retailers; search engine optimisation; TripAdvisor.com®
WeChat® 202
Weibo® 202
Whitbread® 74, 75
Whitbread's Premier Inn® 73
wholesalers 152, 155, 157, 158, **293**
Woolworths® 164
word of mouth 172, 173, **293** *see also* buzz marketing
Wrapp 99

Y
YouTube® 5, 6, 13, 56, 185, 189, 190, 197, 202, 210, 278 *see also* social media

Z
zero-level channels 157