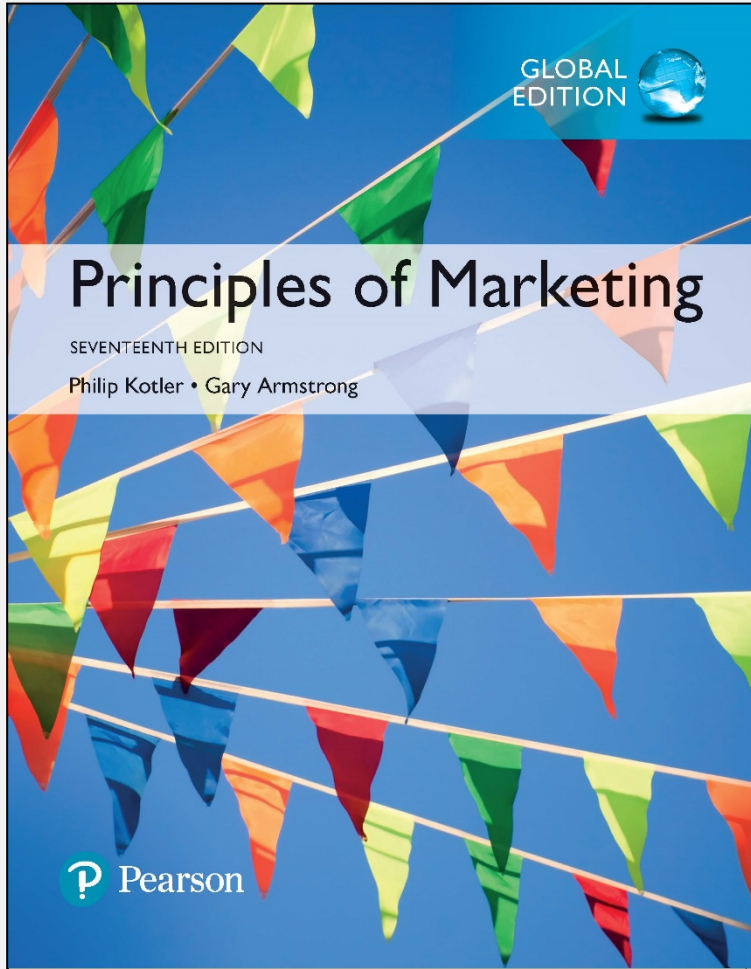


Principles of Marketing

Seventeenth Edition



Chapter 2

Partnering to Build Customer Engagement, Value, and Relationships

Learning Objectives

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

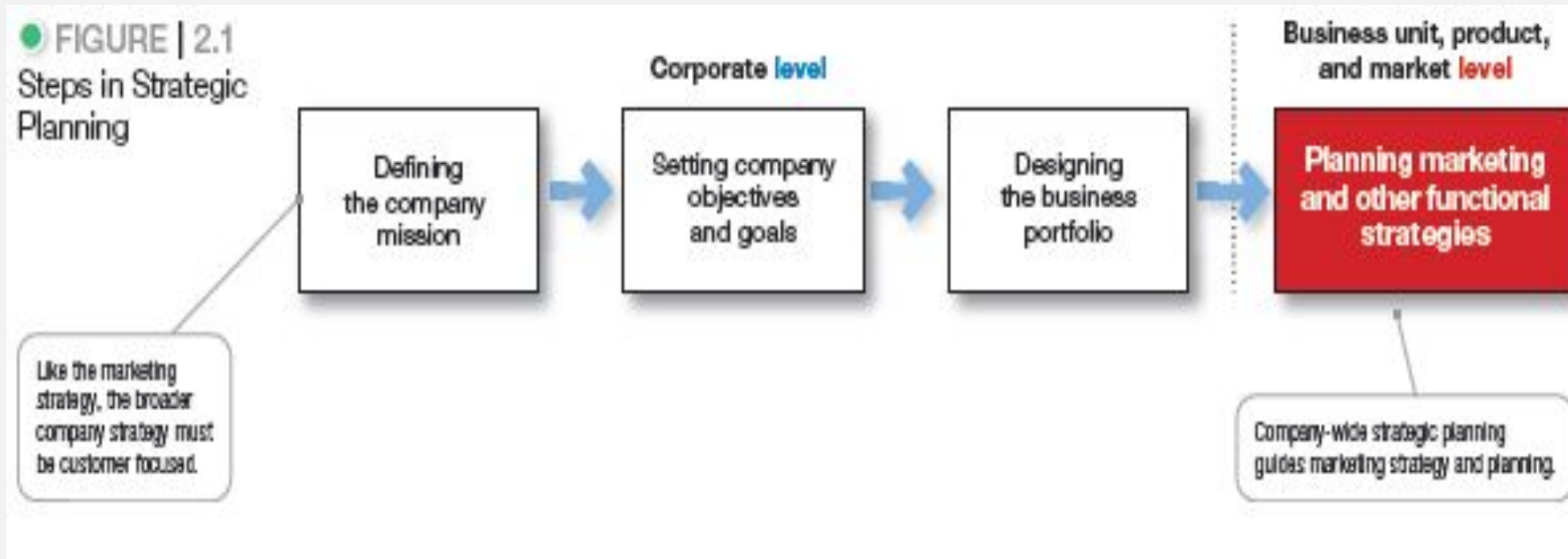
Learning Objective 1

Explain company-wide strategic planning and its four steps.

Company-Wide Strategic Planning (1 of 3)

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

Company-Wide Strategic Planning



Company-Wide Strategic Planning

The **mission statement** is the organization's purpose; what it wants to accomplish in the larger environment.



Company-Wide Strategic Planning

Setting Company Objectives and Goals

Business objectives

- Build profitable customer relationships
- Invest in research
- Improve profits

Marketing objectives

- Increase market share
- Create local partnerships
- Increase promotion

Learning Objective 2

Discuss how to design business portfolios and develop growth strategies.

Designing The Business Portfolio

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

Portfolio analysis is a major activity in strategic planning whereby management evaluates the products and businesses that make up the company.



Red Bull sponsored extreme sports events and athletes who were overlooked by big beverage competitors but were spiking in popularity with Red Bull's target customers.

speedpix/Alamy Stock Photo

Designing The Business Portfolio

Strategic business units can be a

- Company division
- Product line within a division
- Single product or brand

Designing The Business Portfolio

Analyzing The Current Business Portfolio

Identify strategic business units (SBUs)



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graph TD; A[Identify strategic business units (SBUs)] --> B[Assess the attractiveness of its various SBUs]; B --> C[Decide how much support each SBU deserves];
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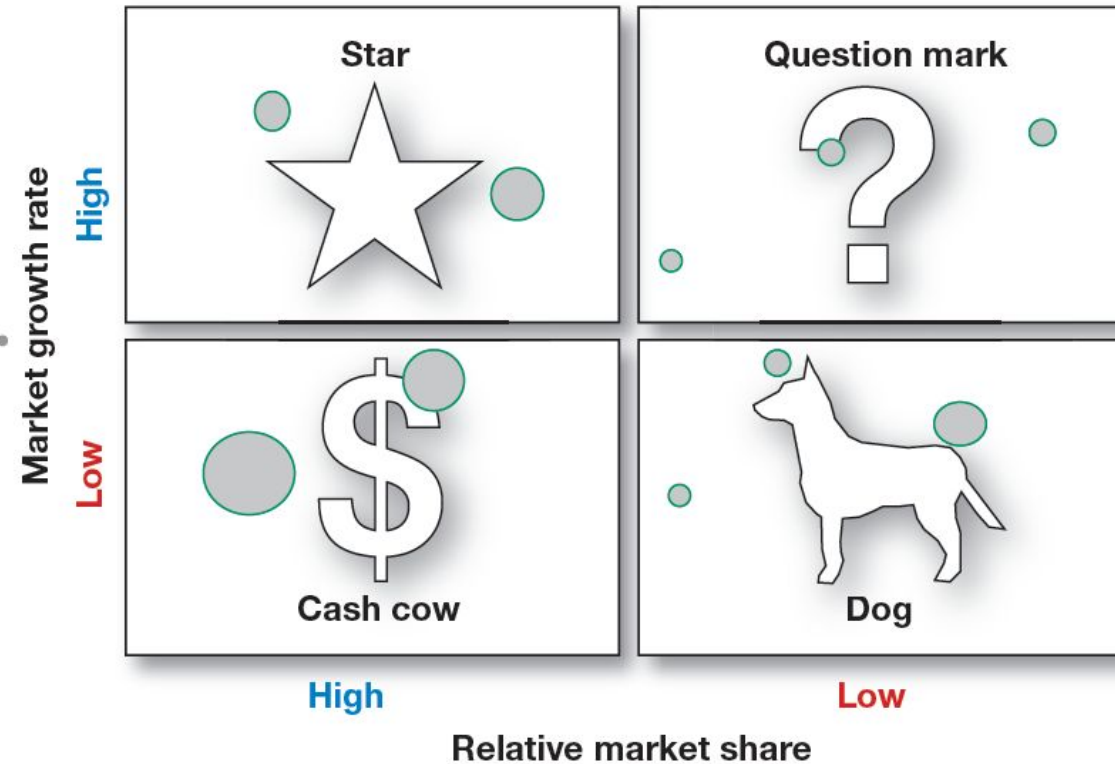
Assess the attractiveness of its various SBUs

Decide how much support each SBU deserves

Designing The Business Portfolio

● FIGURE | 2.2
The BCG Growth-Share Matrix

Under the classic BCG portfolio planning approach, the company invests funds from mature, successful products and businesses (cash cows) to support promising products and businesses in faster-growing markets (stars and question marks), hoping to turn them into future cash cows.

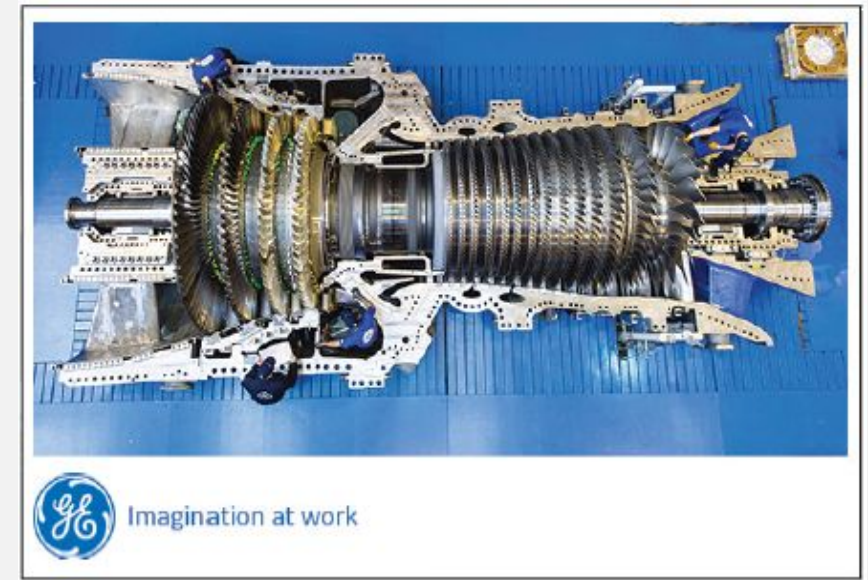


The company must decide how much it will invest in each product or business (SBU). For each SBU, it must decide whether to build, hold, harvest, or divest.

Designing The Business Portfolio

Problems with Matrix Approaches

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



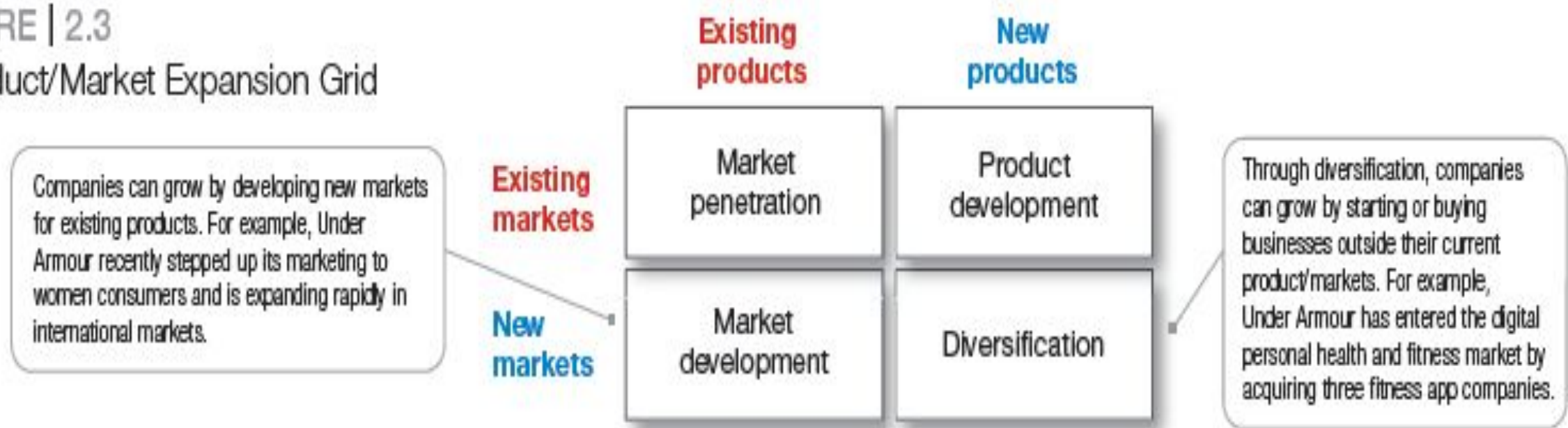
● **Managing the business portfolio:** Managing GE's broad portfolio of businesses and its mission to "invent the next digital industrial era, to build, move, power, and cure the world" requires plenty of skill and lots of GE's famous "Imagination at work." This huge GE turbine weighs as much as a fully loaded Boeing 747 and can generate the power needed to supply more than 680,000 homes.

GE

Designing The Business Portfolio

● FIGURE | 2.3

The Product/Market Expansion Grid



Designing The Business Portfolio

Developing Strategies for Growth and Downsizing



WHAT'S BEAUTIFUL
FEELING THE BURN.
AND FIGHTING THROUGH IT.

NO MATTER WHAT | SWEAT EVERY DAY

I WILL.

Strategies for growth: Under Armour has grown at a blistering rate under its multipronged growth strategy. In recent years, the brand has stepped up its marketing to women, as in its highly acclaimed “I Will” advertising campaign.

UNDER ARMOUR, INC.

Designing The Business Portfolio

Developing Strategies for Growth and Downsizing

Downsizing is when a company must prune, harvest, or divest businesses that are unprofitable or that no longer fit the strategy.

Learning Objective 3

Explain marketing's role in strategic planning and how marketing works with its partners to create and deliver customer value.

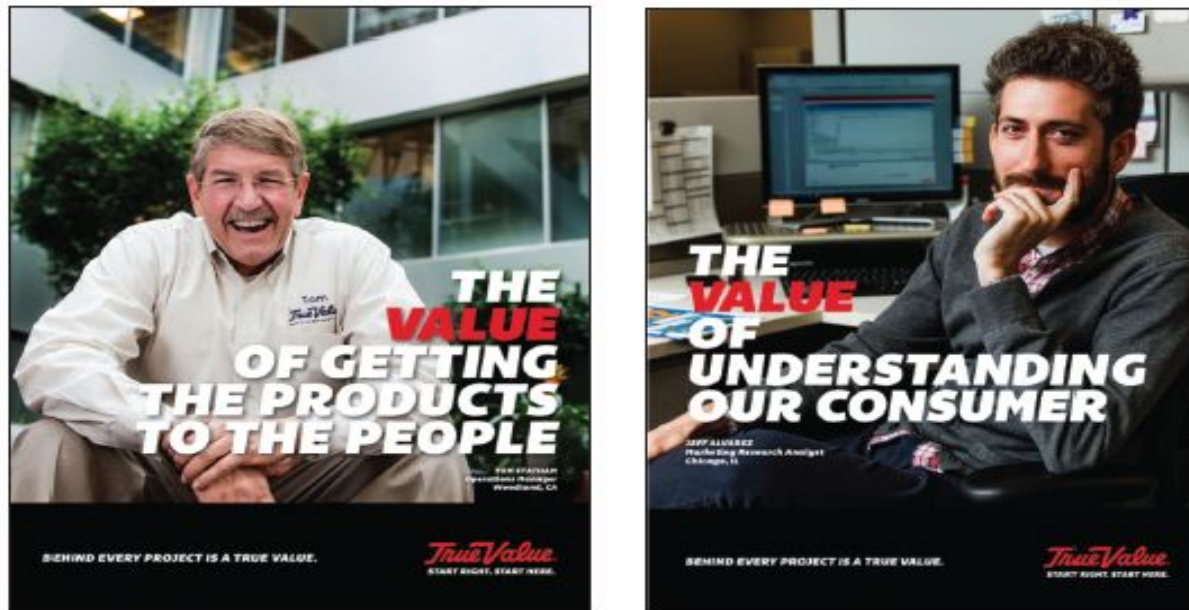
Planning Marketing: Partnering to Build Customer Relationships (1 of 3)

Partnering with Other Company Departments

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

Planning Marketing: Partnering to Build Customer Relationships (2 of 3)

Partnering with Other Company Departments



● The value chain: These True Value ads recognize that everyone in the organization — from marketing research analyst Jeff Alvarez to operations manager Tom Statham — must contribute to helping the chain's customers handle their home improvement projects. They form the foundation for the brand's "Behind Every Project Is a True Value" positioning.

True Value and Start Right. Start Here. are registered trademarks of True Value Company. The print ads and images are copyrighted works of authorship of True Value Company.

Planning Marketing: Partnering to Build Customer Relationships (3 of 3)

Partnering with Others in the Marketing System

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

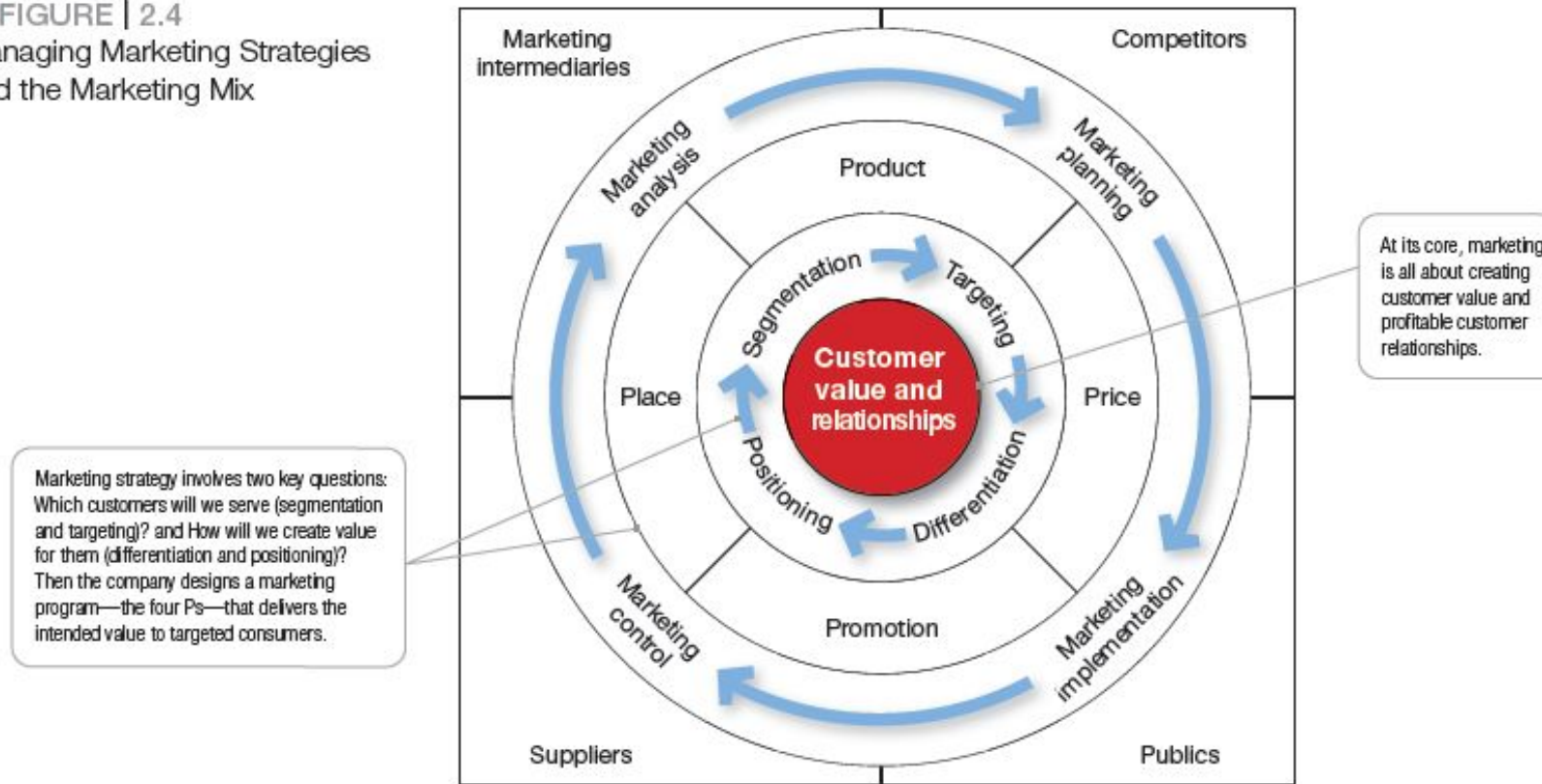
Learning Objective 4

Describe the elements of a customer value-driven marketing strategy and mix, and the forces that influence it.

Marketing Strategy and the Marketing Mix

● FIGURE | 2.4

Managing Marketing Strategies and the Marketing Mix



Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Marketing strategy is the marketing logic by which the company hopes to create customer value and achieve profitable customer relationships.

Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

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

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

Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Market targeting is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter.

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

Differentiation begins the positioning process.

Marketing Strategy and the Marketing Mix

Customer Value-Driven Marketing Strategy

Positioning: The L'Oréal group serves major segments of the beauty market, and within each segment it caters to many sub segments. L'Oréal targets the larger segments through its major divisions; further within these major divisions, L'Oréal markets various brands that cater to customers of different ages, incomes, and lifestyles.



● **Positioning:** The L'Oréal group serves major segments of the beauty market, catering to them through its various brands.

RosalreneBetancourt 4/Alamy Stock Photo

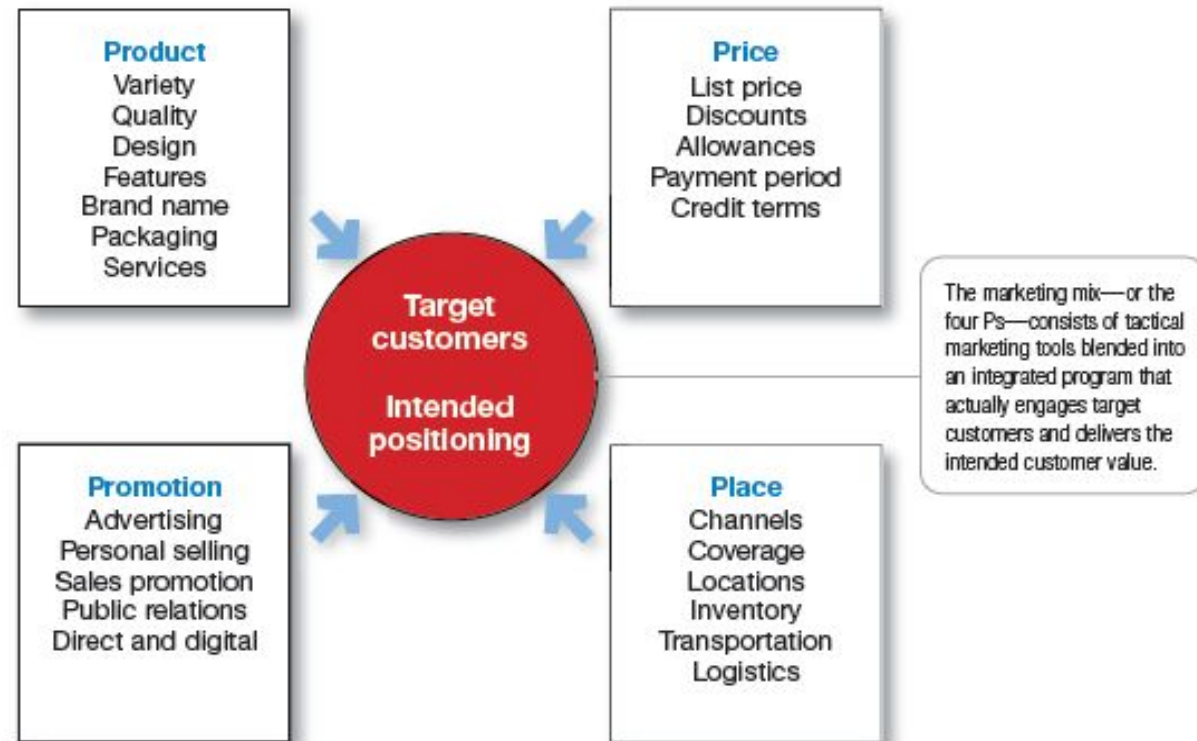
Marketing Strategy and the Marketing Mix

Developing an Integrated Marketing Mix

Marketing mix is the set of controllable, tactical marketing tools—product, price, place, and promotion—that the firm blends to produce the response it wants in the target market.

Marketing Strategy and the Marketing Mix

● FIGURE | 2.5
The Four Ps of the Marketing Mix

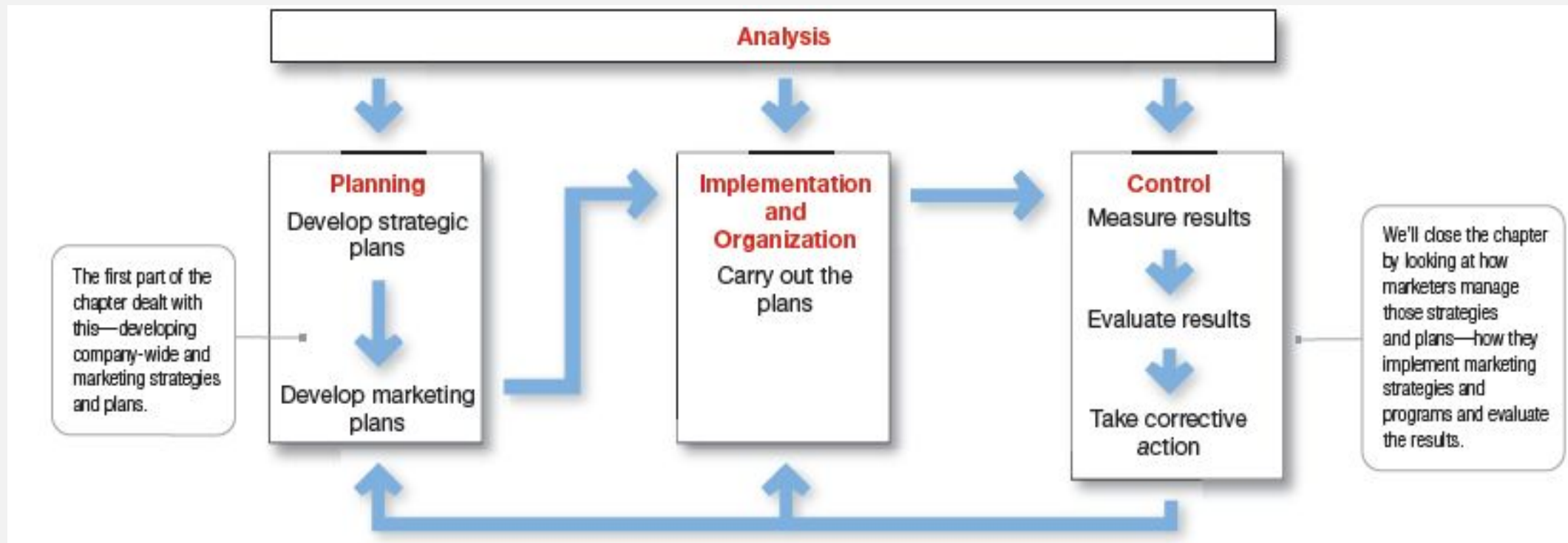


Learning Objective 5

List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.

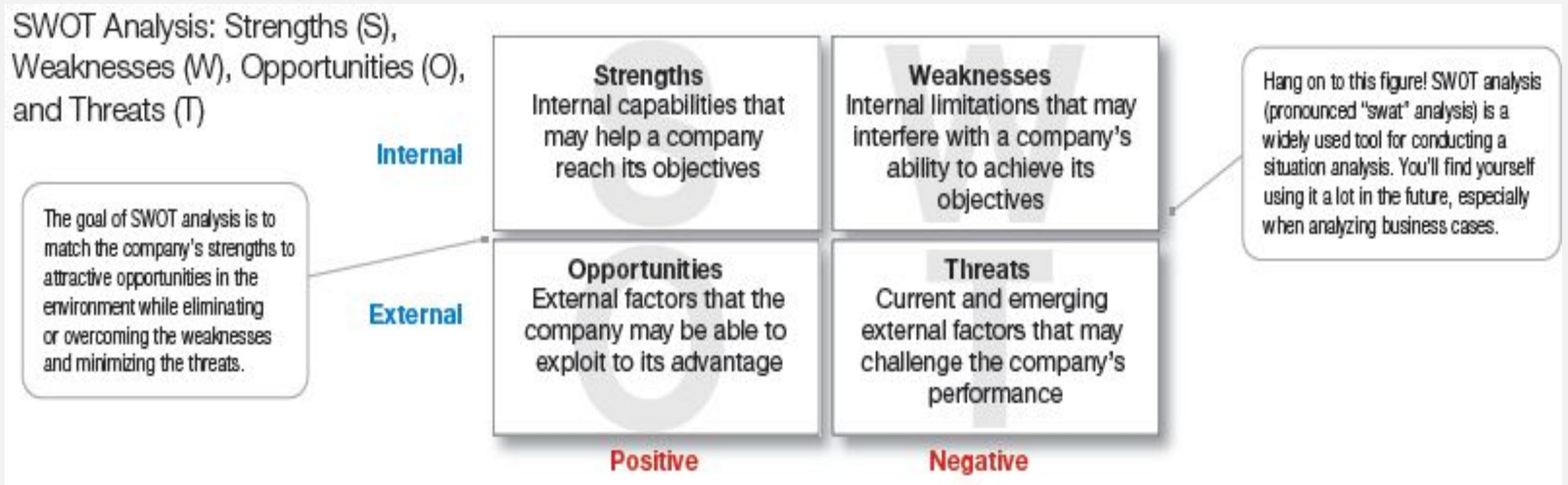
Managing the Marketing Effort

Figure 2.6 Analysis, Planning, Implementation, and Control



Managing the Marketing Effort

Figure 2.7 Marketing Analysis: SWOT Analysis



Managing the Marketing Effort

Market Planning—Parts of a Marketing Plan



Managing the Marketing Effort

Marketing Implementation

- Turning marketing strategies and plans into marketing actions to accomplish strategic marketing objectives
- Addresses who, where, when, and how

Measuring and Managing Return on Marketing Investment

Return on Marketing Investment (Marketing ROI)

- **Net return** from a marketing investment divided by the costs of the marketing investment
- Measurement of the **profits generated** by investments in marketing activities

Measuring and Managing Return on Marketing Investment

● FIGURE | 2.8

Marketing Return on Investment

Source: Adapted from Roland T. Rust, Katherine N. Lemon, and Valerie A. Zeithaml, "Return on Marketing: Using Consumer Equity to Focus Marketing Strategy," *Journal of Marketing*, January 2004, p. 112. Used with permission.

Beyond measuring marketing return on investment in terms of standard performance measures such as sales or market share, many companies are using customer relationship measures, such as customer satisfaction, engagement, retention, and equity. These are more difficult to measure but capture both current and future performance.

