CHAPTER 2: MARKETING STRATEGY PLANNING

CHAPTER 2--COMMENTS ON QUESTIONS AND PROBLEMS

2- 1. A marketing strategy includes the selection of a target market *and* the development of a marketing mix. So a marketing mix is only part of a marketing strategy.

2- 2. Target marketing involves consciously picking some target (which might be the "mass market") while mass marketing is not focused on some specific customers. The managers just naively assume that "everyone" or at least enough "someones" will buy to make the business successful. A meaningful example for students might be contrasting the operation of some fast-food franchises which have developed good strategies with a locally owned restaurant which is just serving "food," apparently to "everyone," and not doing very well. Local examples with which the student has had some experience are usually better than discussing the strategies of large companies that are managed from remote cities.

2- 3. The target customer is placed in the center of the four Ps because the customer should be the focal point of all marketing efforts and really all business efforts. Without potential customers--and eventually satisfied customers--there is not much point in any company effort. Almost any product, for example ball point pens or sports shirts, might be used to illustrate the way that products can and should be designed with the customer in mind, made conveniently available, promoted to these potential customers, and priced attractively or competitively--again with the customer in mind. The interrelatedness of the decisions (as shaped by the needs and attitudes of the various potential customers) should be noted.

2- 4. It is important for a firm to have a clearly defined target market even if a company sells its products only from a website. This question is designed to prompt students to think about the idea of the website in the context of the marketing mix. The fact that the firm is distributing to customers “direct” via its website (rather than through wholesalers or retailers) is certainly an important decision in the marketing mix context, but the fact that the website it available to customers from all over the world doesn’t mean that the firm’s offering will be attractive to customers regardless of geographic location. The marketer still needs to think about the benefits of its product offering relative to the needs of some set of customers, what competitors are offering those customers, when and how the product is going to get to the customer’s place, what communications (promotion, customer service, etc.) the customers will need, what price is appropriate, and the like. There is intense competition for attention and business on the Internet, and just “building a better mousetrap” (if the firm has in fact done that…whether it is the product offering OR the website itself!) is not any sort of assurance that it will attract, satisfy, and retain customers. A firm that has a specific target market will be able to fine tune its message and the rest of the marketing mix to the needs of the target customers, and that increases the odds that it can offer them superior customer value.

2- 5. This question basically serves as a review of the text discussion on pages 36-38.

2- 6. This question is designed to get the students thinking more seriously about what should be included in a marketing strategy--that is, to get them below a superficial definition of marketing strategy. Ideally, a strategy should include policy statements with respect to how each of the four *Ps* are to be handled. If these are spelled out completely, then there are comprehensive guidelines for implementing strategy. Usually not all the details of implementation will be set by the strategy, but a detailed marketing plan would provide sufficient detail so there was no doubt that the implementation decisions were primarily concerned with operational (not strategy) matters. The discussion here should not leave the student thinking that there is "nothing" to implementation efforts. This is certainly not true. The important point is that two different levels of decisions are involved here--strategy and operational.

2- 7. Strategy decisions are concerned with "grand plans," while operational decisions are concerned with more detailed decisions--which are made within the framework of the strategy. A local retailer might include as part of his strategy an intention to price his whole line to meet his major competitors' price levels. Regular operational decisions might have to be made, however, with respect to which products' prices to change in order to appear to remain competitive with his various competitors who may be varying prices on different items at the same time. This continual adjusting of prices might be extremely important to his long-run success, but yet should be seen as operational decisions, given his strategy pricing decision.

2- 8. This question provides students with an opportunity to demonstrate their level of comfort with this concept. This chapter provides the following definition: “the expected earnings stream (profitability) of a firm’s current and prospective customers over some period of time.” Students will find a way to put this definition in their own words. The emphasis should be on three elements: 1) profitability, 2) current and prospective customers, and 3) current and future profits. The implications of this approach are important because it provides a financial goal for marketing managers. The approach also emphasizes the need for a marketing manager to both *retain* current customers and *acquire* new ones. Thus, a marketing program will usually have some efforts directed at retaining and growing current customers (one or more target markets) and acquiring new customers (other target markets).

2- 9. A *strategy* is a "big picture" of what a firm will do in some market. A *marketing plan* includes a strategy and the time-related details for carrying out the strategy. And a *marketing program* is a blend of all of the firm's marketing plans. A department store might have a strategy for how to handle each of its departments and expect its department managers to develop marketing plans for each department--perhaps month by month for the next year or even up to five years. A marketing program would be the blending of all of the marketing plans into one workable program. Developing the program might require some adjusting of the plans of some departments--in order to make effective use of all of the firm's resources but not exceed them.

2-10. This question is designed to get the students thinking about the various target markets which might be aimed at for a particular product--and the many factors which ought to be considered. If the instructor is familiar with the development of a new marketing strategy, it probably will be preferable to substitute this product for one of those suggested--in order to give the students a better "feel" for reality.

This exercise can easily lead into an interesting discussion of marketing strategy planning and all of the problems that can arise (but the instructor must guard against it degenerating into just a "bull" session). The general approach will be illustrated below for the new toothbrush.

The students must be led to see that there are many different potential target markets before going on to the development of one whole strategy. It might help to begin by trying to determine the degree of interest of some target consumers in toothbrushes in general--and the extent of interest they might have in the particular kind of product being considered. Using the marketing strategy diagram (p. 47) as a framework--to begin to segment the "toothbrush market"--you could lead them to ask questions such as: What do consumers look for in toothbrushes? Why do they buy them? Where do they buy them? How much do they pay for them? Who buys them? All of these questions should be raised by the students. Obviously, no one answer can be developed in the classroom for all these questions (there are many target markets), but some tentative conclusions might be advanced--some consumers are worried about their gums, not just their teeth, some people don't seem to think about brushes at all, some what a brush that's easy to pack for travel, etc.

The next step would be to analyze the product in the light of the consumers' image of toothbrushes and the ritual of toothbrushing. If this product seems to have any possibilities for satisfying the needs of some consumers, then the other three *Ps*--Place, Promotion, and Price--will have to be considered. *Where* consumers traditionally buy toothbrushes may have a bearing on where they will have to be distributed. If the same types of places are chosen, a great deal of promotion may not be necessary. However, if an entirely new set of places is chosen, promotion may become more expensive. If the consumer is not particularly enthused about new products of this type, even if they are superior, then the latitude on pricing may be rather narrow. The marketing executive's job would be to weigh all of these four *Ps* in the light of consumer analysis in order to come up with a satisfactory marketing strategy.

At this time, a well-organized discussion of all these points probably should not be expected of the students, but it is surprising what they can do. In the following pages some examples of students' work are presented to give you some idea of the caliber of work which can be expected this early in the course.

A. The marketing problems I believe I would face if I were to develop a new design for a toothbrush:

Concerning the consumer:

1. Characteristics of buyer and users.
2. Size of purchase.
3. Unfavorable attitudes of buyers of brand.
4. Class of buyers.
5. Number of competitors and brands.
6. Differentiation of own brand from leaders.

Concerning the product:

1. Quality.
2. Models and sizes.
3. Attractiveness.
4. Shape, material, design, color, and copy.

Concerning the place:

1. Number of wholesalers and retailers.
2. Degree of aggressive retailer cooperation.

Concerning the price:

1. Factory price.
2. Wholesalers' and retailers' price.
3. Discounts, allowances, and deals.
4. Price support.

Concerning the promotion:

1. Selling.
2. Advertising.
3. Sales promotion.

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B. The first thing we have to do in setting up the marketing strategy is to determine the target market. The target for a new spinning reel would, most naturally, be the sport fisherman. Since the consumer is of such great importance in the selection of a strategy, he should be considered first and quite well. To begin with, sport fishermen can be from any social or financial class. This fact in itself presents somewhat of a problem. The reel has to be such that it will appeal to the majority of the people from these different groups.

Next we have to determine just how we are going to design this item to accomplish this. We have to make it so it has all the qualities we want to have and still be priced right so it can be sold in the volume necessary to make a profit. We have to decide whether we are going to make all the component parts ourselves or if we are going to do any subcontracting. These and many more considerations must be made in this connection.

Determining places of distribution to the customer is also very important. With an article such as a fishing reel the best markets would no doubt be in or near river towns, fishing resorts, lakes, or oceans. In this same department you must determine how you are going to work your distribution end of the business, whether you are going to use wholesale outlets, brokers, franchised dealers, etc.

The price of the reel now has to be set so that it will move fairly fast on the market. Competition will naturally have something to do in determining this price. You must also take into account the distributors and sales force and whether you are going to pay them a high commission.

Since this is a new product, promotion is going to be of major importance in establishing good markets. You will have to concern yourself with advertising, sales promotions, and training salespeople among other things. I think these would be the greatest problem areas you would encounter.

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C. *Consumers:* The market target for the new wonder drug is all consumers, since at one time or another everybody gets sick. The drug will be also aimed at children since children are always getting sick. The drug should be promoted more to residents of cold or damp sections of the country since susceptibility to sickness is greater in these areas.

The number of other brands are few since this is a new wonder drug. Brand loyalty will be low since this is a new product.

Product: The product will be in pill form. In must be decided how many sizes of bottles and how many pills to each size there should be. The color of the coating of the pill is important in order to make it attractive to children. The color and graphical design of the box should stand out on the shelf.

The brand name should be easy to pronounce and should be connected to the concept of curing sickness so that when someone thinks, "I am really sick, what can I take to get better?", immediately the name will pop into his mind after hearing it only once before.

Place: Samples should be distributed to doctors. The main distribution will be through drugstores and drug counters in department stores.

Price: The price should be within the reach of everybody first of all. It should be priced in the range of other drugs. Many people object to the high price of drugs but most will pay the price if they think the product is good. If the price is high, people feel that they are getting something good. So the price should appear a little high but not so high as to take a big chunk out of the average person's pocket.

Promotion: Since it is a medical discovery and a significant one, an attempt should be made to have articles printed in the various medical journals to show doctors how good the product really is. Television is the best medium for advertising the product. 'A famous doctor says' approach should be avoided since I think it is boring to people. But the doctor should not be left completely out the advertisement. It should be brought out that the drug is safe for all ages. All other modes of advertisement should also be used.

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D. The new type of industrial stapling machine causes students considerable trouble as few of them have had much industrial experience. This provides another opportunity to emphasize the need for careful customer analysis.

For class discussion, it is useful to segment the stapling machine market into at least two parts--thus requiring two sets of answers. The two basic markets are for office use and for plant use for fastening boxes or for assembling wood or metal pieces.

You might show that reaching office managers, production managers, purchasing agents, and even top executives in businesses where fastening is especially important affects the Place and Promotion variables. The problems of marketing industrial products should only be raised here, as they are treated extensively in the rest of the text. By the end of the book, the students will be able to handle such a problem very nicely. It might be fruitful at this time, however, to get the students to notice that industrial marketing would probably be more economically-oriented than final consumer marketing.

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2-11. This is an integrative question. As indicated in the text, page 17 of Chapter 1, all functional areas are dependent upon a firm's market-oriented plans. A market-oriented plan starts with customers and then expects the rest of the firm to arrange its affairs accordingly. Therefore, an example from any functional area would be appropriate here.

2-12. This is an important question. It gets at a key reason why it is hard for firms to be successful! It will prompt a wide variety of different answers (and has the potential to generate some very good interaction if it is discussed in class). Most students think that the marketing concept sounds like a simple idea, and students with less work experience often think that it is easy for a firm to implement. Those with more experience are likely to “make excuses” for companies because they are more attuned to the problems. But discussion of this question helps to highlight some of the reasons that the marketing concept is not easy to implement.

If there is any difficulty getting discussion going, ask students what they think about the firm that provides their cell phone service, the food service on campus, or the outlet where they purchased a computer. These tend to be routine pockets of dissatisfaction and there will be differences of opinion about what is important and how different firms handle issues.

In a class discussion, the point is to try to focus not just on the things that leave customers dissatisfied but (a) what they can do to remedy the problem, and (b) the obstacles that get in the way of such efforts. One approach is to have a few students give brief examples and list them on the board, and then go back and address the remedies and/or obstacles. The trick is to try to generalize from the examples that they give. The list of generalizations can also go on the board and then at the end the instructor can point out that in the course all of those issues will be covered. For example, if a student complains about problems with a purchase then the professor might ask whether the retail firm that generated the problem seemed to have a bad strategy, or whether the firm didn’t implement its strategy well? Was the person poorly trained or maybe just in a bad mood that day? Is it possible that the customer was partly at fault? Is the customer really always right? Can a firm afford to satisfy everyone?

By the end of the discussion the instructor can highlight the fact that the underlying tension in implementing the marketing concept is that it may seem hard to both make a profit and satisfy customers at the same time. Customer satisfaction drives business (and repeat business), but it can also be expensive to satisfy customers. So a firm needs to recognize that different customers have different needs and find needs that it can satisfy at a cost that customers are willing to pay. This of course sets up the discussion of target marketing and the “fit” between the marketing mix and the firm’s capabilities relative to those of competing firms.

2-13. An "attractive" opportunity for a firm is one that the firm has some chance of doing something about--given its resources and objectives. A "breakthrough" opportunity is an attractive opportunity that will enable the innovators to develop hard-to-copy marketing mixes which will be very profitable for a long time.

Students will give a wide variety of examples here. They are often better at identifying "attractive" opportunities than "breakthrough" opportunities. In particular, it is not unusual for students to think that just about everything is "hard to copy." Discussion of this question is a good way to highlight the importance of analyzing the current competitive environment and/or what is likely to happen with it in the future. This can be used to foreshadow discussion in Chapter 3 as well as product life cycle concepts that are developed more fully in Chapter 9.

2-14. By defining a market in terms of a market's needs, it is usually possible to see subsets that are not completely satisfied with the present offerings. And the students should be able to come up with examples--if nothing else, examples of needs that they personally have which are not completely satisfied. Suggestions from the class can be pursued to see whether each "opportunity" is likely to be large enough to be profitable to some firm. At this stage, however, that is not important. We are only seeking opportunities, and getting the students to see that there are opportunities all around them is probably the most important job at this stage.

2-15. The basic logic for thinking of the marketing strategy planning process as a narrowing down process is to be certain that the marketing manager considers the various alternative opportunities that might be available before putting all of his or her energy and the firm’s investment in a strategy that may not be the best thing for the firm to do. There are usually many more possible opportunities that may require different strategies (potential target markets and variations on the marketing mix) than the firm can actually pursue. The choice that is made may set the firm’s course for some time to come, so it’s important to be focusing on the strategy that has the greatest chance of success rather than just one that at first glance appears to be OK.

2-16. The major differences among the opportunities are related to whether the firm uses its present products or new products while pursuing present markets or new markets. Note: The student's examples should describe what a firm is or was doing before moving on to a new opportunity. In other words, what would be a diversification for one firm might be simply market penetration for a firm that was already in that market.

2-17. Familiarity with the firm's current market would probably reduce the cost and risk. The farther a firm moves from its present activities, the less it is likely to know about the market and its problems. "The grass is not always greener on the other side of the fence."

2-18. The text provides a discussion of reasons that international opportunities should be considered. Student answers will usually incorporate the reasons given in the text, including:

(a) it's now becoming easier and cheaper to deal with customers in international markets, because of advances in communications and transportation;
(b) people in a foreign market may have needs that the firm could meet, and the people may have the money they need to be customers;
(c) serving larger, international markets may result in additional competitive advantages, such as greater economies of scale in production, shared expertise, etc.;
(d) the product life cycle may be at an earlier stage in an international market, which effectively gives the firm the chance to "turn back the clock" to a stage where there is greater growth in sales and profits;
(e) the foreign market may offer more favorable trends with respect to the marketing environments, including the competitive environment, the legal/political environment, the economic/technological environment, and the socio-cultural environment. For example, income and population growth has subsided in the U.S., and as a result for some consumer products firms growth will need to come from overseas markets.

2-19. The main purpose of this question is to encourage students to think about all of the products that they buy/use/consume that come from foreign producers. The reasons that they give for purchasing a specific product will vary dramatically--ranging from economic-oriented issues (low cost, good reliability) to emotional reasons (the status of French perfume, the "in" styling of an Italian designer). Regardless of the purchase reasons, students will usually conclude that there was a good opportunity for a domestic firm to get their business--often because there is really no barrier to prevent a domestic producer from competing. This will come out in the explanation or the "why or why not" part of the answer. After considering the "foreign" competition from that perspective, it's useful to turn things around and ask whether or not domestic firms have similar opportunities in foreign markets. This discussion might require a short digression on trade barriers (quotas, tariffs, etc.), but it also can highlight the fact that firms from all over the world are competing to "capture" customers wherever they may be.

COMMENTS ON LEARNING AID EXERCISES FOR CHAPTER 2

Exercise 2-1: Mass Marketing vs. Target Marketing

Introductory Comments

"Marketing strategy planning" is the unifying theme of the text. To fully understand this concept, it is critical that the students clearly recognize the difference between "mass marketing" and "target marketing." The idea that any marketing strategy should focus on *some* target market may seem rather simple and straightforward to students. But in real life--where the differences between mass marketing and target marketing can be quite subtle--students may have trouble seeing which approach a firm is following. The purpose of this exercise is to illustrate how the two approaches differ.

The students should be asked to read and compare their answers in class--as there may be differences of opinion on certain caselets. Some students, for example, may not see that target marketing implies much more than just routinely dividing the market into various submarkets on the basis of some rather obvious dimensions, such as sex, age, race, etc. Target marketing implies focusing on a group of customers with homogeneous needs with a view to developing a more satisfying and profitable marketing mix for that particular group. While customers can be grouped according to sex, age, race, and so on, such groups do not necessarily share common needs nor can they be reached through a single marketing mix. The Question for Discussion emphasizes the important point that there is more to marketing strategy planning than just selecting target markets.

Answers

1. (a) Mass marketing

   (b) The "Summer Shower Sprinkler" is just one more example of "the perfect mousetrap." Green Vision is trying to be all things to all people--but obviously a lot of people are not interested in the "ultimate lawn sprinkler." The claim that the product is convenient as rain doesn't build faith that the other features are quite what they claim to be--and even if they were many people--perhaps most--wouldn't think about paying $40-$70 for a sprinkler when alternatives are available for about $5. And one doubts that households located in high-rise condominiums, apartments, or homes with very small yards will offer much market potential for such a product.

   Further, many yard and gardening enthusiasts will not accept the design or the Summer Shower Sprinkler--even if they were willing to pay that much. For example, some of them probably like to control the watering themselves--since being outside is part of what they enjoy about yard work. And others don't want a tangle of hoses laying on the grass when the sprinkler is not in use--and they will prefer underground irrigation systems or some other alternative.

2. (a) Target Marketing

   (b) Amir Abdelkader seems to have a concept that goes beyond just being another "Italian," or "Chinese" or "Mexican" or "whatever" food place. He is defining his market in terms of people with a distinct set of needs and his experience/skill in being able to prepare the food is just part of what he will be offering. He is realistic that he is going to start with promotion targeted at upscale professionals (who can afford the type of "celebration" he has in mind) and he recognizes that there will be a cost to catering to these special needs and promoting the unique things he is trying to do. Unlike many small businesses, he is not simply assuming that everybody will beat a path to his door, but instead he has in mind a specific clientele and what it will take to appeal to them.

3. (a) Target marketing

(b) "Personalized" cable channels are not that far from being a reality! Some advertisers feel that they have the potential to provide the "ultimate" in target marketing for advertisers and producers of shows, perhaps making broadcast media competitive with direct mail and telemarketing in terms of reliance on databases with detailed information about each customer's needs and interests. The development of two-way cable systems has the potential to take this idea even further, perhaps with customers able to "respond directly" to an ad or other communication (for example, by pressing the key pad on a telephone or some similar simple response device).

Less obvious to the students perhaps is the fact that AM-PM, Inc. is not trying to sell this idea to *all* cable systems, but instead only to cable systems with an audience of about 300,000-500,000. Presumably, such systems would be in certain types of communities (i.e., medium-sized cities) and thus there might be additional ways in which consumers may be homogeneous.

4. (a) Mass Marketing

(b) It appears that Phoenix Information Systems started out as a target marketer but found that it couldn't really offer the intended target market something distinctive--and it didn't want to pay the higher price for custom orders and direct distribution when "commodity" products would meet a similar need. The plan to become the "country's leading volume supplier" is certainly optimistic, but it fails to recognize the type of problems that interfered with its earlier efforts. When customers see the offerings in a product-market as being all alike (homogeneous), just saying you're interested in targeting or saying that you're going to be the leader is not enough. Many other firms are going to be competing "head-on" for the same target market. The likely outcome in that case is that the objective isn't achieved or, if it is, it's achieved as a "profitless success."

Question for Discussion

"Target marketing" does not guarantee a successful marketing strategy. Selection of a target market is by no means an easy task--as will be discussed in later chapters--and a firm must have the necessary resources and skills to develop an appropriate marketing mix for the target market it selects.

Moreover, a firm's marketing mix must be seen by the target group as being "good" and better than competitive marketing mixes. For example, Gerber's "Singles" failed in the marketplace not because there was no need for such a product--but because consumers rejected the packaging, the brand name, etc. In other words, there will always be some risk inherent in marketing strategy planning--although target marketing certainly will reduce the risk.

Exercise 2-2: Developing a Unique Marketing Mix for Each Target Market

Introductory Comments

This is a rather simple exercise designed to illustrate how different market segments have different needs and thus require different marketing mixes. It is crucial that the students recognize this point if they are to fully understand marketing strategy planning. The students should be able to do the exercise without much difficulty, but they might not realize that some firms actually have *not* attempted to segment their markets as illustrated in the exercise. You might ask them to discuss what would happen if a firm were to develop its marketing mix based on the assumption that each product type was simply one big "mass market."

Answers

1. (1) c, (2) b, (3) a.

   The middle-age couple would prefer the ruggedness and dependability of the Jeep Liberty SUV and the financing provided by the dealer; the extended warranty gives added security. The real estate manager would prefer the luxury features of a Lexus sedan. Leasing would be advantageous so he could switch to a later model in the future if he prefers. The student needs basic transportation at an affordable rate and the Honda will probably do fine.

2. (1) b, (2) c, (3) a.

   The airline pilot would want a product that could be prepared quickly and easily, and might prefer a convenience store to the long lines of a supermarket. The low-income housewife with the large family probably could not afford the convenience of TV dinners or restaurant meals and further, she might take too much pride in her own cooking to leave the cooking to someone else, so she would prefer the market basket. The young, busy mother (and her kids!) would appreciate the convenience of the pizza and soft drinks for dinner--since there is not much time to either prepare or clean up the dinner. Besides, that's the food kids like.

3. (1) c, (2) a, (3) b.

The young couple doesn't need an expensive or sophisticated computer. The discount price of a mass-merchandiser would appeal to them--and the mass-merchandiser would probably have purchased machines that would fit this kind of personal need. Consumers with a more specialized need would probably want the support from a retailer who is more expert about computers. The traveling sales rep would want the convenience of a portable computer, and he wouldn't want to disrupt his work because of quality problems with the computer or because he couldn't get it serviced. Because of its heavy demand for computer processing, the Savings and Loan would want the more powerful mini-computer. Leasing might be attractive because of the high cost of such machines--and to provide flexibility to change to something different in the future if necessary. Expert sales help might be required to be certain that the company's needs could be met by the machine it leases.

4. (1) b, (2) a, (3) c.

   The wealthy couple would want the "top quality" resort wear and the exotic prints offered by the mail order specialist--in the same way that *Architectural Digest* tends to target upscale readers. The students would probably be attracted to the discount prices and be less concerned (perhaps a heroic assumption!) about the fashions being from last season. The middle-income family planning a trip to Disney World would probably be attracted to the "reliability and convenience" of the department store.

5. (1) a, (2) b, (3) c.

   The married couple would probably be attracted to a matching wood cabinet, and the privilege of buying on credit might ease the burden of paying a higher price for a console model. The young executive would probably want an impressive-looking system and would require considerable advice about which system to buy. The do-it-yourselfer would enjoy building and showing off his own stereo.

Question for Discussion

The marketing manager should consider the market potential of each group of customers, along with the competition the firm would face. Also, he must determine the most appropriate marketing mix for each segment *and* whether his firm has the necessary resources and ability to offer the appropriate mix, as well as whether it would be consistent with the overall objectives of the firm. Finally, he should attempt to anticipate any environmental trends that might affect the success of his marketing strategy.

Exercise 2-3: Analysis Of Strengths, Weaknesses, Opportunities And Threats For Marketing Strategy Planning

Introductory Comments

This is a rather simple exercise designed to introduce students to SWOT analysis. At this early point in the course, students are not expected to do a very sophisticated analysis. At first glance, some of the situations may appear to have a more clear-cut answer. However, this is not the case. Note that the exercise doesn't provide much information about the companies/situations described. As a result, students will think about a variety of different conditions that might drive the answer they choose. This prompts good class discussion and highlights that what is an opportunity or threat (or strength or weakness) for the firm may depend on many factors. So it is useful early in the discussion to "give students permission" to disagree and share their ideas.

Answers

1. a. The new highway may be an opportunity for the local paving company, but not if it is too small to get the paving contract for what is likely to be a very big project. Sometimes, however, government bid procedures favor small business precisely because they are small business with a local constituency. This is something that the paving contractor might be able to determine with just a little research. It is unlikely that many students will see the new highway as a threat, but it could be if the contract brought new competitors into the area permanently or if it helped a large local competitor to become even larger. This example can be used to tie the question of threats versus opportunities to the idea that it may depend on the strengths and weakness of the local paving company and the strengths and weaknesses of firms that might compete for the business.

   b. The new highway may be a threat or an opportunity to the dealership. For example, if the dealer is currently located near an existing highway, and traffic by that location is significantly reduced, it might reduce awareness of the dealership, the promotional value of cars displayed on the lot, and the convenience of customers stopping by to shop or for service. However, it may also be an opportunity. For example, if space is at a premium in the center of town a new highway may make it possible for the dealer to find a new location where land is less expensive but where it is easy for customers to come to shop, perhaps even from a great distance.

   c. A national food chain that was located near the current highway might view a new bypass as a threat if it took customers in another direction. However, a national chain with the financial resources for growth would probably see the announcement as an opportunity…because it might signal the possibility of establishing an outlet at a new location. The time horizon is relevant here. Since the highway won't be ready to use for another five years, the firm has plenty of time to evaluate the situation, what property might be available for a new outlet, and what competitors are likely to do.

   d. If the company publishes highway maps, the new road will ultimately make the firm's current maps obsolete and it will cost money to produce new maps; so in that sense it is a threat. However, the practical matter is that in a fast growing city there are constant changes in streets and bringing in a new highway is just likely to increase the pace of change. And that means that people who already have a map are likely to need a new, updated one and that spells opportunity.

2. a. The defense contractor probably has the technical skills to develop whatever type of electronic device may be necessary. However, mass producing devices for a large, price-sensitive market with many different segments may be more complicated than producing for defense agencies. The military is an expert on what it wants and can help guide (and fund) the development of new products. To take advantage of its technical capabilities in product development this firm will have to get information about the needs of the new market that it wants to serve. That may not be easy. So the firm's expertise in developing electronic devices is potentially a strength but it may not be "enough" if it doesn't have equally good procedures for learning about the needs and interests of this new market. Its lack of experience with that part of the new product development process may be a weakness.

   b. The firm's experience in selling to the military is not likely to prepare it very well for selling to firms that are located all over the country; it is likely that this is a weakness. Both markets probably involve quite a bit of personal selling, but a firm that has been selling to the military probably does not have a large sales force and in all likelihood the people with responsibility for selling already know who to talk with, what they are interested in, and what it will take to meet their needs. Selling to individual firms will require a new way of thinking about the promotion job. While it may require some advertising, for example in trade publications, it is likely to require a much bigger sales force (or intermediaries who can help with the effort).

c. As with the promotion issue, distribution is likely to be much more complicated to reach individual firms than to sell to the military. The military is probably buying in large quantities but based on a centralized purchase. The individual firms will each need a lot of hand holding—initially to get orders and then later to follow up with installation and service after the sale. This sounds like a situation where a network of quality wholesalers (and perhaps installers) will need to be developed. How to develop and work with channel partners is probably a weak area for a firm that has been focused solely on the military market.

d. This firm is very unlikely to know about the competition it will face, and the competition may vary significantly from one market area to another. This could prove to be a major weakness. Another issue is that in a growth market it may be difficult to anticipate who will become a competitor. The existing firms in the market may be effective or ineffective, but if this firm sees this opportunity it is likely that other "new comers" are paying attention to it as well. Firms that already have experience and skill in working with these customers may have a big advantage even if they do not have all of the technical skill of the military contractor.

Question for Discussion

The examples above provide a number of considerations to this question. In several of the situations the answer depends in large part on what competitors might do. The key point to bring out in this discussion is that a firm can't develop a competitive advantage through its marketing mix and know what is an advantage (and what isn't) without a real understanding of competitors' resources and capabilities.

Exercise 2-4: Target Marketing

This exercise is discussed in the next section, which focuses on the computer-aided problem on which the exercise is based.

DISCUSSION OF COMPUTER-AIDED PROBLEM 2: TARGET MARKETING

In this problem, the student evaluates the profitability of a target marketing approach compared to a mass marketing approach. The spreadsheet for the problem focuses student attention on the size of the segments, the "share" that a firm wins in that market, costs of blending a marking mix to reach the market, and revenue and profit relationships.

The initial spreadsheet for the problem appears below:

P L U S – SpreadSheet

	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	2.00*	2.50*
PROMOTION: Total Promotion Cost	12000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	14.00*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	50.00*	20.00*
Quantity Sold (Units)	10000	22000
Total Revenue (Price times Quantity)	160000.00	308000.00
Total Cost (Sum of Above Costs)	122000.00	300000.00
Total Profit (Revenue minus Costs)	38000.00	8000.00

Answers to Computer-Aided Problem 2:

a. The numbers needed to answer this question are given on the initial spreadsheet (given above). Students will approach the calculations in different ways, but an example approach is given below:

First, let's look at the quantity sold:

25,000 number of people in the market
x .80 percent of people who will buy
20,000 people who will buy
x .50 firm's share of purchases
10,000 people who will buy from the firm = quantity sold

Total revenue is price times quantity:

$16.00 price per unit x 10,000 units sold = $160,000 total revenue

Some costs vary with quantity:

$ 8.00 Production cost per unit
+ ***$ 2.00*** Distribution cost per unit
$10.00 a unit (variable) costs

Thus, ***total*** production and distribution cost is:

10,000 units x $10.00 a unit = $100,000

Then, to get total costs we must add total promotion cost and overhead:

$100,000 total production and distribution cost
$ 12,000 total promotion cost
+ ***$ 10,000*** overhead costs
$122,000 total cost

Finally, profit is total revenue minus total cost:

$160,000 total revenue
- ***$122,000*** total cost
$ 38,000 total profit

Many students will compute profit by simply subtracting costs from revenue. At this point, that is fine. But, it may be useful to go through the type of detail given above in class--or provide the information as a hand-out. The idea here is to encourage students to ***think*** carefully about the numbers of the spreadsheet--about what they mean and how they relate. Developing skill in this area is important to marketing managers--and attention is focused on this throughout the whole computer-aided problem set.

b. If the target marketer could reduce distribution cost by $.25 per unit, from $2.00 to $1.75, total profit would increase by $2,500.00--from $38,000.00 to $40,500.00. The point here is that reducing the cost of any element of the marketing mix--if it still meets the needs of target customers--will help to improve profits. The spreadsheet for this analysis is shown below:

P L U S - SpreadSheet

	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	1.75*	2.50*
PROMOTION: Total Promotion Cost	12000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	14.00*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	50.00*	20.00*
Quantity Sold (Units)	10000	22000
Total Revenue (Price times Quantity)	160000.00	308000.00
Total Cost (Sum of Above Costs)	119500.00	300000.00
Total Profit (Revenue minus Costs)	40500.00	8000.00

c. If the target marketer can increase his share of the market from 50 percent to 60 percent, his profit will increase to $53,000.00 (assuming that the lower distribution cost from question b above is maintained). Or, if the original $2.00 a unit distribution cost is used in the spreadsheet, the profit will increase to $50,000. This analysis shows that the target marketer who can really fine-tune his marketing mix to the needs of the target market can increase his share of the business from that target market, and his profitability. The spreadsheet shows that it is often better to get a larger share of a smaller target market than to use a perhaps very expensive marketing mix (note the promotion cost in the mass marketing approach) to inefficiently compete for a small share of a larger "mass market." The spreadsheet for this analysis is shown below (based on the $1.75 distribution cost).

P L U S - SpreadSheet

	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	1.75*	2.50*
PROMOTION: Total Promotion Cost	12000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	14.00*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	60.00*	20.00*
Quantity Sold (Units)	12000	22000
Total Revenue (Price times Quantity)	192000.00	308000.00
Total Cost (Sum of Above Costs)	139000.00	300000.00
Total Profit (Revenue minus Costs)	53000.00	8000.00

Answers to Learning Aid Exercise 2-4:

1. A 58% market share would be required to earn a profit of $41,800. If the student changes the distribution cost on the spreadsheet to $2.50, and puts the market share percent back to 50 percent, he will get the following spreadsheet.

P L U S - SpreadSheet

	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	2.50*	2.50*
PROMOTION: Total Promotion Cost	12000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	14.00*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	50.00*	20.00*
Quantity Sold (Units)	10000	22000
Total Revenue (Price times Quantity)	160000.00	308000.00
Total Cost (Sum of Above Costs)	127000.00	300000.00
Total Profit (Revenue minus Costs)	33000.00	8000.00

Then, if the student follows the suggestions in the hint for this question and varies the firm's share of purchases, the following What If data display is produced:

P L U S - What If Data Display

-Targeting- Share %	-Targeting- Profit
40.00	22000.00
42.00	24200.00
44.00	26400.00
46.00	28600.00
48.00	30800.00
50.00	33000.00
52.00	35200.00
54.00	37400.00
56.00	39600.00
58.00	41800.00
60.00	44000.00

2. To answer this set of questions, all the student will need to do is return to the spreadsheet screen and change the percent of customer's purchases to 58. From that analysis, the answers are:
   Quantity sold: 11,600 units.
   Total cost at this quantity: $143,800.00.
   Total Revenue at this cost: $185,600.00.

The spreadsheet for this analysis is given below:

P L U S - SpreadSheet	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	2.50*	2.50*
PROMOTION: Total Promotion Cost	12000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	14.00*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	58.00*	20.00*
Quantity Sold (Units)	11600	22000
Total Revenue (Price times Quantity)	185600.00	308000.00
Total Cost (Sum of Above Costs)	143800.00	300000.00
Total Profit (Revenue minus Costs)	41800.00	8000.00

3. If Marko only won a 53 percent share of the market (i.e., 5 percent less than 58 percent), profit would be $36,300. In other words, profit would decrease $5,500.00 from the $41,800 profit for a 58 percent market share. The spreadsheet for this analysis is given below:

P L U S - SpreadSheet	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	2.50*	2.50*
PROMOTION: Total Promotion Cost	12000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	14.00*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	53.00*	20.00*
Quantity Sold (Units)	10600	22000
Total Revenue (Price times Quantity)	169600.00	308000.00
Total Cost (Sum of Above Costs)	133300.00	300000.00
Total Profit (Revenue minus Costs)	36300.00	8000.00

4. The exact answer is that 63.8 percent of the purchases would be required to earn a profit of $41,800 given a distribution cost of $3.00. However, you may want to be tolerant of an answer that is "close" to this percent. In discussing this, you might want to make the point that a higher market share is required to earn the same profit when the cost of elements of the marketing mix increase. The What If data display for this question is given below:

P L U S - What If Data Display	
-Targeting- Share %	-Targeting- Profit
63.00	41000.00
63.10	41100.00
63.20	41200.00
63.30	41300.00
63.40	41400.00
63.50	41500.00
63.60	41600.00
63.70	41700.00
63.80	41800.00
63.90	41900.00
64.00	42000.00

5. Profit would fall to $36,800 (a decrease of $5000 from $41,800) if the firm only achieved a 58.8 percent share (which is 5 percent less than the share percent required to earn $41,800). The spreadsheet for this analysis is given below:

P L U S - SpreadSheet	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	3.00*	2.50*
PROMOTION: Total Promotion Cost	12000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	14.00*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	58.80*	20.00*
Quantity Sold (Units)	11760	22000
Total Revenue (Price times Quantity)	188160.00	308000.00
Total Cost (Sum of Above Costs)	151360.00	300000.00
Total Profit (Revenue minus Costs)	36800.00	8000.00

6. The extra marketing research would cost $4000, but if the 55 percent market share were achieved profits would be $40,000. This is a profit increase of $2,000.00 from the expected profit of $38,000 (see initial spreadsheet) if marketing research is not used. Thus, the added cost would be worthwhile. The spreadsheet for this analysis is given below:

P L U S - SpreadSheet	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	2.00*	2.50*
PROMOTION: Total Promotion Cost	16000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	14.00*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	55.00*	20.00*
Quantity Sold (Units)	11000	22000
Total Revenue (Price times Quantity)	176000.00	308000.00
Total Cost (Sum of Above Costs)	136000.00	300000.00
Total Profit (Revenue minus Costs)	40000.00	8000.00

7. Profit would be $35,200 if the firm spent $22,000 in promotion (i.e., including the $10,000 for market research) and earned a 56 percent share of the market. This is a decrease of $2,800 from the original situation, so the research would not be worth the money. The spreadsheet for this analysis is given below:

P L U S - SpreadSheet	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	2.00*	2.50*
PROMOTION: Total Promotion Cost	22000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	14.00*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	56.00*	20.00*
Quantity Sold (Units)	11200	22000
Total Revenue (Price times Quantity)	179200.00	308000.00
Total Cost (Sum of Above Costs)	144000.00	300000.00
Total Profit (Revenue minus Costs)	35200.00	8000.00

8. Profits would increase to $23,175 if the firm lowered its price to $13.75 and it was able to win 25 percent share of the market. The spreadsheet for this analysis is given below:

P L U S - SpreadSheet	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	2.00*	2.50*
PROMOTION: Total Promotion Cost	16000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	13.75*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	55.00*	25.00*
Quantity Sold (Units)	11000	27500
Total Revenue (Price times Quantity)	176000.00	378125.00
Total Cost (Sum of Above Costs)	136000.00	355000.00
Total Profit (Revenue minus Costs)	40000.00	23125.00

9. Profits would fall to $2,500 if competitors matched the price cuts and Marko's share returned to 20 percent. This question, in combination with question 7, alerts the student to the hazards of trying to increase profits in the "mass market" by trying to "buy" market share with a lower and lower price. Firms that have little special to offer a market other than a low price often find that price competition strips away their advantage! The spreadsheet for this problem is given below:

P L U S - SpreadSheet	Targeting	Mass Marketing
PRODUCT: Production Cost per Unit	8.00*	7.50*
PLACE: Distribution Cost per Unit Sold	2.00*	2.50*
PROMOTION: Total Promotion Cost	16000.00*	60000.00*
PRICE: Selling Price per Unit	16.00*	13.75*
Overhead Costs	10000.00*	20000.00*
Number of People in the Market	25000*	275000*
Percent of People Who Will Buy	80.00*	40.00*
Firm's Percent (share) of Purchases	55.00*	20.00*
Quantity Sold (Units)	11000	22000
Total Revenue (Price times Quantity)	176000.00	302500.00
Total Cost (Sum of Above Costs)	136000.00	300000.00
Total Profit (Revenue minus Costs)	40000.00	2500.00

10. The lower prices simply drive down profits. This type of price competition is not uncommon--especially when firms are just offering "me-too" products. The target marketer can often avoid price competition because there are not close substitutes from other firms.

CHAPTER 2--COMMENTS ON USE OF SUGGESTED CASES WITH THIS CHAPTER

Case 3: MANU Soccer Academy

This case can be used to introduce the marketing strategy planning process and customer equity – both of which are discussed throughout the rest of the book. The MANU case provides an early opportunity to use both of these frameworks. The marketing strategy planning process in Exhibit 2-10 might be shown on the board and used to help guide discussion. In fact the shortage of information on competitors – at least in the short case – becomes more obvious when this framework is shown. There is a need to match the company strengths with customer needs. A S.W.O.T. analysis might be done to help students understand these concepts.

The options clearly address some of the alternative growth methods suggested by the customer equity discussion in the text (pages 43-44) – acquisition of new customers, retention of current customers, and increasing purchases by current customers. To dramatize the effects of customer retention, ask your students what percentage of its customers MANU is likely to retain each year. Despite kids moving, changing interests, and growing too old for training, the current retention rate of 80% is really quite high. This means that of the 600 customers MANU currently serves, it needs to attract 120 new customers each year just to stay even – and MANU wants to double in size. If MANU can increase customer retention by 10%, this means the company keeps 60 more customers. But is that even possible? MANU may have no ability to control families moving from the area, kids changing interests, and aging of its customer base. This means that some customer acquisition efforts will be a necessary part of its strategy. Further, if MANU can get 25% of its customers to take one additional program per year, then sales should increase by about 25%. These numbers – or variations that you might create – help to dramatize the different customer equity options in the MANU case. See case discussion in Part V.

Case 4: Trusty Technology Services

This case can be used to illustrate ideas related to marketing strategy planning, including S.W.O.T. analysis. A young woman decides to go into business (doing computer service work) in a small town where she is in direct competition with another established competitor who has a strong reputation and a loyal following (and it's a firm with which she had a summer job before going into military service). Her choice of this business opportunity is influenced heavily by where she wants to live and what she has done in the past. It is of course reasonable to use these as criteria in evaluating opportunities and screening alternatives, but she doesn't develop the elements of her marketing mix very carefully. Instead she seems to expect that the community will somehow see the wisdom of bringing business to her. Students will have empathy for her situation, but she is nevertheless in a tough situation because it doesn't appear that she has any particular competitor advantage. Equally important, she really has not done anything in developing her marketing mix to try to get an advantage.

Case 5: PolyTech Products

This case also illustrates a production-oriented company that has ignored potential customers' needs and the uncontrollable environment. It is easy to show the need for target marketing in this case. See case discussion in Part V.

Case 12: DrRay.com

This case can be used as an opportunity to introduce students to a relatively straightforward financial analysis involving some topics related to customer equity. See case discussion in Part V.

Case 29: Specialized Castings, Inc.

This case can be used here to illustrate production-oriented thinking--and the need for more marketing-oriented strategy planning. It also can be used toward the end of the course to "wrap everything up." See case discussion in Part V.

CHAPTER 2--COMMENTS ON USE OF ETHICS QUESTION WITH THIS CHAPTER

Situation: A marketing researcher conducts a study that reveals that a competing firm's brand-new marketing strategy is off to a very strong start in attracting new customers. He thinks that it will ultimately be so successful that it will increase the price of the competing firm's stock, so he decides to buy the stock before that happens. However, a friend suggests that the trade might not be ethical and perhaps could even be considered illegal "insider trading." Does it seem unethical to you? Should it be illegal? Explain your thinking.

Although the situation for this ethics question mentions the issue of "insider trading," the objective here is not focused on whether such trading is legal. So, if you ask students to pay special attention to this question, you may wish to state explicitly something like the following: "Students in the first marketing course usually don't know the technical issues of insider trading, and I don't expect you to have that expertise. On the other hand, most of you have heard news reports about managers or celebrities (like Martha Stewart) charged with insider trading. You also get the basic idea that "insiders" have special or advance knowledge that other investors do not have and, to keep stock market transactions fair, government agencies restrict managers from acting on their insider knowledge. So, is it fair to use marketing research information to invest in the stock market?"

The productive focus of discussion for this question should be that managers who develop effective plans know (or expect) in advance what will happen to the firm's profits and perhaps the profits of competitors. This is implicit in the text's discussion of the marketing concept but is something that students have usually not thought about in much depth—at least at this early stage in the course. It is something that they understand more fully later in the course, but this opens the door. Stock market issues are not just relevant to finance managers but to everyone who has expertise about how profits will move in the future.

There are a variety of ways to direct discussion of this situation, but at a basic level it is useful to focus on the idea that marketing plans have profit consequences both for a firm and its competitors. That is explicit in the idea of the marketing concept when we say it should achieve a profit. Understanding of markets, which is often the goal of market research, can help a manager make better decisions—so information is a basis for power and expertise in the organization. How that information is used often has ethical—and even legal—implications.

A way to frame this discussion is to get a sense (or perhaps a show of hands) for how many students think that it would be "fair" for a researcher to use knowledge from a propriety marketing research study to invest in the stock market. Then, put the pros and cons of different arguments on the board. The point here is that marketing people often have advance information about what a firm wants to do. They develop that information and try to use it to improve the performance of the firm. On the other hand, there are limits to how far this can be taken when it comes to investing in the stock market.

CHAPTER 2--COMMENTS ON USE OF CREATING MARKETING PLANS QUESTION WITH THIS CHAPTER

The Marketing Plan Coach software on the text website (and on the optional Student CD) includes a sample marketing plan for Hillside Veterinary Clinic. Skim through the different parts of the marketing plan. Look more closely at the Marketing Strategy section.

a. *What is the target market for this marketing plan?*
b. *What is the strategy Hillside Veterinary Clinic intends to use?*
c. *What are your initial reactions to this strategy? Do you think it will be successful? Why or why not?*

At this point in the introductory marketing class, students need to learn about the different parts of a marketing plan at a very basic level. This helps them get an appreciation for the various elements of marketing. Often students walk into this class thinking that marketing is "easy" or "obvious." The marketing plan shows them the amount of analysis that goes into creating a marketing strategy – even for a small business.

The first question simply requires the student to recognize the target market. The HVC marketing plan identifies two target markets: 1) Pet owners with small animals living within 10 miles of Wellington, Colorado, who are not currently customers of HVC and 2) Pet owners with small animals living within 10 miles of Wellington, Colorado, who are currently customers of HVC.

In class discussion, the instructor may ask why HVC has chosen these target markets. Veterinarians often specialize in small animals (cats, dogs, etc.) or large animals (cows, horses, etc.). Other vets may choose to specialize in exotic small animals (monkeys, chinchillas, ferrets, etc.). The marketing strategy process planning model might be referenced. Competitors in the area specialize in large animals – which typically involve house (or ranch or farm) calls. A company factor is Doctor Hardy's likely training in small animals – and perhaps her innate interests. Also, there are many consumers in the fast-growing area that are likely to have small animals – making for a ready market.

As a transition into the second question, the instructor might also ask the class, "Why does the marketing plan differentiate between current customers and non-customers of HVC?" This allows for a discussion of the two different targets. The former are already familiar with HVC and have an established relationship. The marketing strategy for this group includes tactics that serve to remind customers and introduce them to new products and services offered by the clinic. On the other hand, non-customers may not be aware of HVC – so tactics here try to increase awareness and encourage customers to try the clinic.

The last question is designed to get students to evaluate a marketing strategy. There is no correct answer here, and certainly most introductory marketing students will not be able to offer a detailed critique. But the instructor can encourage students to judge the likely effectiveness in light of the situation analysis.