Chapter 6

Marketing Planning:
Operational Perspectives

In Chapter 5 we learned that marketing managers must first adopt a strategic perspective for marketing planning, then translate that perspective into an operational marketing plan. In this chapter we learn how to do planning at the operational level (see Figure 6.1).

The strategic planning process described in Chapter 5 concentrated on corporate-level and strategic-business-unit planning. These two levels of planning precede development of the strategic marketing plan and the annual operating marketing plan. The strategic marketing plan contains the overall strategic approaches to marketing within a business unit. The annual plan spells out the details of what

Societal marketing orientation

↓

Understanding

↓

Planning
Strategic planning: Chapter 5
Operational planning: Chapter 6

↓

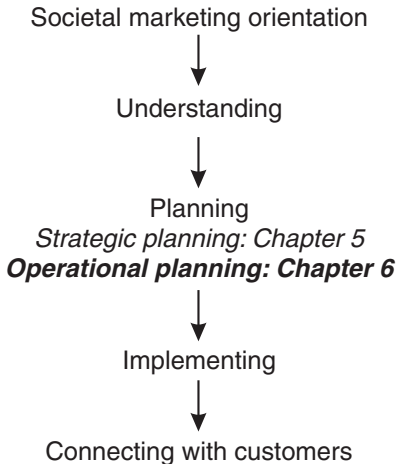Implementing

↓

Connecting with customers

FIGURE 6.1. The Effective Marketing Management Process

is to be done on a day-to-day, week-to-week, and month-to-month basis to translate the strategic marketing plan into specific actions, responsibilities, and time schedules.

Strategic marketing plans are derived from corporate strategic plans. Although they are more detailed and cover only the marketing function, strategic marketing planning involves steps similar to strategic planning at the corporate level. The steps usually include a detailed analysis of a company's situation, setting specific objectives, developing strategy, implementing strategy, and evaluating and controlling strategy.

The operating marketing plan is a detailed tactical statement explaining what must be done, when, and how. In other words, the strategic marketing plan deals with what is to be accomplished in the long run, while the operating marketing plan deals with what is to be done in a given time period, usually a year.

The operating marketing plan focuses on the tactical decisions needed to carry out the strategic marketing plan. The time frame for the operating marketing plan is usually a year and normally coincides with an organization's fiscal year. The situation analysis deals only with the current operating environment and details only important events that influence changes in marketing activities. The strategy portion contains the detailed tactical decisions that spell out changes in such areas as advertising themes, new products, etc.

One of the most important aspects of this type of planning process is the perspective managers must have to use it properly. Managers must study the entire marketing process from the customer's vantage point, which creates new patterns for administrative development and organization. An understanding of the planning process provides a framework for organized thought patterns for the variety of marketing activities that take place in an organization.

Because of the scope and importance of a new product, it may require a separate plan. There are three reasons for this practice: (1) the approval procedure for a new product plan may differ from that for regular product plans; (2) there may be seasonal differences between the new product introduction and existing product plans; and (3) timing patterns may be different for new and existing products. The actual new product plan will often contain many of the elements that are in the plans for established products.

The short-term plan for the new product introduction should include results, targets, actions, responsibilities, schedules, and dates. The plan should indicate details and deadlines, production plans, market introduction program, advertising and merchandising actions, employee training, and other information necessary to launching the product. The plan should answer a series of questions—what, when, where, who, how, and why—for each objective to be accomplished during the short-term planning period. With enhanced understanding of consumers comes the ability to develop more tailored marketing programs. The need to target selected segments and position products effectively is increasingly being recognized by marketing managers. For instance, a recent survey of top marketing executives showed that developing target-market-segmentation strategies was one of the key pressure points they had to deal with in a recent year.

THE OPERATING MARKETING PLAN FORMAT

An outline of a format for a marketing plan is provided in Figure 6.2. The marketing plan is a written document that contains four basic ele-

    I. Situation analysis
       A. Product/market analysis
       B. Customer analysis
       C. Competitive analysis
       D. Opportunity analysis
       E. Current strategy assessment

   II. Objectives
       A. Sales objectives
       B. Profitability objectives
       C. Customer objectives

  III. Strategy
       A. Overall strategy
       B. Marketing mix variables
       C. Financial impact statement

  IV. Monitoring and control
       A. Performance analysis
       B. Customer data feedback

FIGURE 6.2. Outline of a Marketing Plan

ments. It is premised on the fact that a company must (1) determine where it is now (develop a summary of the situation analysis, including general developments, consumer analysis, competitive analysis, and opportunity analysis), (2) decide where it wants to go (provide a set of objectives), (3) decide how it is going to get there (provide a detailed strategy statement of how the marketing variables will be combined to achieve those objectives as well as the financial impact), and (4) decide what feedback is needed to stay on course (suggest a set of procedures for monitoring and controlling the plan through feedback about results). A complete marketing plan provides the specifics to all these areas.

Situation Analysis

Successful marketing planning is very much a process of "if-then" reasoning: *If* the analysis reveals certain specific characteristics of the market, *then* our best strategy would be one selected to respond to this particular situation. In other words, there is a direct translation of our understanding into our planning. What do we need to focus on in our situation analysis? The situation analysis should include (1) the product/market definition, (2) customer analysis, (3) key competitor analysis, (4) opportunity analysis, and possibly (5) current marketing strategy assessment.

Product/Market Analysis

The product/market, properly defined, should contain all products or services that satisfy a set of related generic needs. The first tasks include estimating demand, determining end-user characteristics, learning about industry practices and trends, and identifying key competitors for the end-user groups being considered as possible market targets for a specific product.

Some competitors may offer the same product, and others may offer a different product that will meet the same set of needs. For example, Remington electric shavers compete with brands such as Norelco and Panasonic, as well as safety razor brands such as Gillette.

As was pointed out in Chapter 2, analysis of the product/market involves determining the size of the total market, identifying the factors that are influencing the growth, stability, or decline of the market, and

market share. Understanding the factors that are causing the market to evolve helps determine what short- and long-term adjustments must be made in the marketing mix to be successful. For example, new technologies create the need for strategic and operational changes in marketing activities. The new satellite television technology with eighteen-inch dishes and hundreds of channels has created the need for cable companies to evaluate their corporate strategies. However, they must also adjust their operational strategy to respond to new forms of competition while the strategic actions are being evaluated.

Regardless of the techniques used in analyzing market factors, the basic information sought involves understanding the factors that influence demand for a product or service and their historical and future trend. This information helps develop the basis from which objectives and strategies are developed.

Customer Analysis

Nothing is more central to marketing than customer analysis. Customers' needs are the pivotal point around which objectives and strategies are developed. Estimates of demand, descriptive profiles, and criteria important in the purchase decision are useful in strategy design. Firms should also include market segment identification and analysis to precisely define target markets.

As the process of customer analysis continues, a profile of the consumers in each segment emerges. This profile should be as complete as possible for each segment and should include socioeconomic, behavioral, and psychological characteristics. The results of the analysis can be used in subsequent time periods so they should be easily accessible. In fact, if this type of analysis has already been completed, it can be updated or expanded.

The results of the analysis may be summarized as shown in Table 6.1. This approach allows a comparison of the characteristics for each segment.

The target market decision is the focal point of marketing strategy; it serves as the basis for setting objectives and developing strategy (more on target marketing will be presented later in this chapter). The decision to use a strategy is based on revenue-cost analysis and assessment of competitive position.

TABLE 6.1. Consumer Characteristics by Segment

Characteristics	Segment 1	Segment 2	Segment 3
Socioeconomic			
Age	26-40	41-65	Over 65
Sex	Male	Male	Male
Income	Upper	Middle	Lower
Location	Southwest	Southeast	Southwest
Behavioral			
Shopping behavior	Specialty stores	Department stores	Discount stores
Purchase rate	High	Moderate	Low
Psychological			
Options	Fashion oriented	Comfort oriented	Economy oriented
Awareness	High brand name awareness	Some brand name awareness	Low brand name awareness

Analysis of Key Competitors

Evaluation of competitors' strategies, strengths, limitations, and plans is a key aspect of the situation analysis. Both existing and potential competitors must be identified. Typically, a subset of firms in the industry will comprise the strategic competitor group.

Two fundamental questions are answered through the competitive analysis: What is the nature of the forces that shape competition in this market? and, Which competitors are going after which market segments with what marketing strategies? The first question focuses on overall competition and the forces that influence the nature of competition in a given product/market situation.

The second question focuses on specific market segments that have been isolated through consumer analysis. After analyzing the size (potential) and the characteristics of each segment, the analysis begins to deal with competition on a segment-by-segment basis. The focus is on uncovering segments that are not currently being served or segments where competitors do not have clearly identifiable strategies but each seems to be using a strategy similar to the others. Usually, several segments can be better served through strategies aimed directly at their needs. This creates the opportunity to gain a competitive advantage or edge over competition in specific market segments.

Several other factors should be analyzed for a more complete evaluation of competitors. They include competitors' strategic tendencies and resources (marketing, financial, and personnel). The first factor is concerned with competitors' willingness to change or react to competitive moves; the second deals with their ability to make strategic moves.

Assessing strategic tendencies involves evaluating whether competitors' actions tend to be reactive or proactive. Reactive strategies are those that follow the lead of other firms in the market or simply settle into a niche. Proactive strategies involve market leadership or challenge to the market leader. If market leaders and challengers can be identified, they are the competitors whose actions must be anticipated. In Japan's "beer wars," for example, Asahi Breweries, Ltd. took on the competitive position of the initiator of change in the industry because of the success of its dry beer. A marketing mix audit helps identify the exact nature of competitors' strategies.

After completing the competitive analysis by market segment, develop summary statements about each segment with respect to competition. This provides an overview of the competitive forces at work in each segment.

Opportunity Analysis

Opportunity analysis should identify future environmental changes that may alter market opportunities, competition, and a firm's marketing strategy. The major forces that may influence market opportunities and strategies include technological advancements, demographic and social trends, governmental and political constraints, economic conditions, and the physical environment.

To evaluate opportunities successfully, you must combine the external analysis with internal analysis, which directly influences a firm's willingness and ability to respond to opportunities. Internal factors include purpose or mission statements and company resources.

If the opportunity is consistent with purpose, a firm's resources must be analyzed to determine the company's ability to respond to an opportunity. At least four types of resources must be analyzed: marketing, production, financial, and managerial.

Other factors should also be analyzed when choosing opportunities. The importance of economic conditions, technology, politi-

cal/legal, and cultural/social conditions will vary by opportunity and should not be overlooked. In a technologically driven industry, such as personal computers, the inability to develop new technologies or to incorporate new technologies into products can severely limit or even prohibit a company's entrance into a market. On the other hand, new and better technologic breakthroughs can become the means by which market entrance is achieved.

Current Marketing Strategy Assessment

An evaluation of the effectiveness of a firm's current marketing strategy should identify important strategy issues, strengths, and limitations. Management should evaluate the firm's strategic situation and the appropriateness of the marketing strategy being used for that situation.

The process of reviewing internal operations for strengths and weaknesses and scanning the organization's external environment for opportunities is called a SWOT analysis (see Chapter 5).

The ultimate goal of a SWOT analysis, on one hand, is to match vital operational strengths with major environmental opportunities. On the other hand, a SWOT analysis provides a basis for improving weaknesses or at least minimizing them and avoiding or managing environmental threats to operations. Ideally, a SWOT study helps identify a distinctive competence that can be used to tap an important opportunity in the environment. This type of SWOT analysis is similar to the one at the corporate level (Chapter 5), but here it is being conducted at the product/market level.

Setting Objectives

After completion of the product/market, consumer, competitive, and opportunity analyses, the next step in the development of a marketing plan is to set objectives. The basis for setting the specific objectives is the qualitative and quantitative data gathered from previous analyses. The objectives, in turn, become the basis for the development of the marketing strategy. Realistic objectives cannot be established without consideration of the operating environment and the specific consumer segments to which the marketing effort is to be targeted.

Some companies prefer to set objectives that apply to the total marketing strategy for all targeted markets. Overall strategy objectives represent a composite of specific objectives for each market target.

Marketing contributes to sales, market share, and profit objectives. Firms also need various operating objectives or subobjectives to provide performance guidelines for each marketing mix component. These also contribute to sales, market share, and profit contribution objectives. For example, suppose that one objective of a company's advertising strategy is to increase target customers' awareness of a particular brand by some amount during a specific time. Management believes that increasing brand awareness will have an effect on sales. In the case of operating objectives (e.g., increasing awareness), establishing a direct cause-and-effect relationship to sales is often difficult. Management may be convinced that increasing awareness will increase sales but is often unable to predict that an X percent change in awareness will cause a Y percent increase in sales. Even though this is a problem, management should still formulate operating objectives or it will have no basis to gauge progress.

Marketing Strategy Selection

After setting objectives, the next step is the development of the marketing strategy. This step involves deciding on the specific ways to combine the marketing variables to satisfy the needs of the market's targets and accomplish the objectives of the organization. In some situations, the corporate strategic plan may dictate the marketing strategy. For example, if the corporate strategy involves positioning the firm as the low-cost producer in an industry and emphasizes volume in the corporate objectives, the marketing mix would have to reflect this. The marketing mix would probably emphasize low price to generate sales volume. This would also be the major focus in promotional messages.

If the corporate strategy is not oriented in this way, then marketing managers have much more autonomy in strategy selection. A firm may, for example, decide at the corporate level to hold and grow a specific SBU. It then becomes the responsibility of marketing management to come up with a creative strategy to produce growth.

Like management itself, marketing strategy development is both a science and an art and is a product of both logic and creativity. The

scientific aspect deals with assembling and allocating the resources necessary to achieve a company's marketing objectives with emphasis on opportunities, costs, and time. The art of strategy is mainly concerned with the utilization of resources, including motivation of the workforce, sensitivity to the environment, and ability to readjust to counter strategies of competitors.

Marketing strategies provide direction to marketing efforts. Alternate courses of action are evaluated by management before commitment is made to a specific strategy outlined in the marketing plan. Thus, strategy is the link between objectives and results. It is the answer to one of the basic questions posed in a marketing plan: How are we going to get there?

The marketing strategy is the result of the blending together of various marketing elements. These elements consist of (1) the *product* to be offered to buyers; (2) the distribution of products to various outlets—referred to as *place;* (3) the *promotion* or communications to prospective customers using various techniques; and (4) the *price* charged for the product. The term *marketing mix* has been used to describe these various elements. Therefore, marketing strategy may be viewed as a mix aimed at satisfying the needs of selected market segments and accomplishing specific marketing objectives.

When you evaluate the various strategies that can be used in marketing, you are asking what combination of these variables could be used to satisfy customer needs and accomplish the plan's objectives. Once a strategy is chosen it may be followed for several years, being altered only in response to counterstrategies of competitors or changes in other relevant environments. For example, if you are working with an established product, the question of strategy is: Do we need to change our strategy to respond to new conditions in the environment, and if so, in what ways?

Plan Monitoring and Control

The final stage in preparing the marketing plan is to establish the evaluation and control procedures that will be used to track the progress of the marketing effort. Decisions should be made about the specific data needed for tracking, how and when the data are to be collected, and who is to receive what type of reports. Such data become the basis for the decisions to alter the plan and to focus on the objec-

tives-results relationship. Alterations in the operational plan should be made to "fine-tune" it or the way it is being implemented. Many companies fail to understand the importance of establishing procedures to monitor and control the planning process, a failing that leads to less than optimal performance. Control should be a natural follow-through in developing a plan. No plan should be considered complete until controls are identified and the procedures for recording and transmitting information to managers are established.

Many problems can be avoided when a sound control system is established. Failure to establish control is analogous to looking once at a map before a long trip and never looking at road signs, markers, or check-points.

The planning process results in a specific course for a product or service. This plan is implemented (marketing activities are performed in the manner described in the plan) and results are produced. These results are sales revenues, costs, profits, and accompanying consumer attitudes, preferences, and behaviors. Information on these results is given to managers who compare them with objectives to evaluate performance. This performance evaluation identifies the areas where decisions must be made. The actual decision making controls the plan by altering it to accomplish stated objectives, and a new cycle begins. The information flows are the key to a good control system. Deciding what information is provided to which managers in what time periods is the essence of a control system. Controlling the marketing process is discussed in detail in Chapter 8.

PREPARING THE PLAN AND BUDGET

The selection of a marketing strategy and evaluation procedures moves the planning process to preparation of the actual plan and its supporting sales forecast and budget. Preparing the plan involves several activities and considerations, including selecting the planning cycle and frequency, deciding the nature and use of the annual plan, choosing a format for the plan, and forecasting revenues and estimating expenses.

Developing the overall marketing budget involves developing the sales budget, promotion budget, distribution budget, and administrative budget. After the budgets are prepared and approved, the next

step is to implement the marketing plan. This will be discussed in Chapter 7.

TARGET MARKETING AND MARKETING STRATEGY DEVELOPMENT

Selection of a target market is a decision of strategic scope. At the three levels of planning (see Chapter 5) the issue of scope requires answers to these questions:

Corporate level: Which business should we be in?
SBU level: Which product/markets should we be in within this business?
Operational level: Which customer group(s) should we target?

The selection of the group(s) or segment(s) of customers toward which an organization will direct its marketing efforts is addressed at the operational level. Adoption of a market orientation is an implicit acceptance of a philosophy that has deliverance of customer satisfaction at its core. This requires understanding customers first, before making decisions that affect ability to deliver satisfaction (how else can we know what is "satisfying"?). Usually, not all customers can be satisfied with the same market offering. Those who can be satisfied similarly are called a market segment. Most markets consist of multiple segments of consumers who are similar to other people in the same segment, but different from people in another segment in some way, which affects their response to a marketing appeal. When we make targeting decisions we are selecting those segments where we believe we can gain a competitive advantage in delivering satisfaction. The question then becomes, How do you select which segment(s) to target?

Target Market Selection

What determines a segment's attractiveness? No universal criteria exist which define attractiveness, but three categories might capture what most organizations would find of interest:[1]

Market opportunity: What could be gained from targeting a segment?

Competitive environment: Are competitors capable of preventing us from gaining it?

Market access: How difficult will it be to capture the opportunity?

Market Opportunity

Factors that define the extent of a market opportunity vary by industry and company, but market size, growth rate, and potential, and the bargaining power of buyers are factors most managers consider as measures of market opportunity.

An ideal segment would be large, growing, and offer good potential for future growth. Also, the customers occupying the segment would not possess bargaining strength, which puts the seller at a disadvantage. Buyers who can easily switch between sellers, or who can drive down prices because of their relative size make such segments less attractive.

Competitive Environment

The second major category of market attractiveness concerns the level and nature of competition for segment customers. The intensity of competition could be influenced by the number of competitors, the ease with which they can enter a market, the degree to which you can differentiate your product from competitors' products, the number of substitute products, and the degree to which competitors have satisfied the needs of the market segments. Other factors related to competitive environment may be more or less important, depending on the particular product/market in question (e.g., existence of exit barriers, level of competitor commitment to the market, feistiness of management, etc.).

Market Access

Although market opportunity considers factors that influence the extent of the gain which could be derived in targeting a market segment, competitive environment and market access consider the costs or obstacles which must be incurred in achieving that gain. Access to

the market will be affected by the degree of difficulty in achieving access to customers, the synergies available within the company in offering the product to the market (e.g., the use of an existing channel of distribution versus establishing and maintaining another channel), the degree to which a product/market is regulated, and the source and extent of competitive advantage. For example, access to buying patterns of its card holders allows American Express to efficiently target promotions for trips, and other products and services to very small target markets.

Market Attractiveness Index

Development of a set of attractiveness criteria delivers more value to a firm when those factors can be combined to generate an overall measure of attractiveness. This permits comparison of attractiveness scores by market segments and between product/markets, allowing for more objective selection of segments as target markets. Because the units of measure vary by factor (e.g., market size may be in dollar sales, market growth rate in percentages), it is necessary to establish a standard unit of "attractiveness" that allows direct comparison of market segments. An index of attractiveness standardizes the units of measure and establishes different values or weights for the factors (e.g., one manager may think size of a market is twice as important as buyer power). See Table 6.2 for an example of the development of an attractiveness index.

The index shown for this segment would be compared to the index of others to evaluate the relative attractiveness of each segment or a target market. The overall index computation provides a measure of attractiveness on a 100-point scale, with fifty as average. This is useful in giving a broader perspective on market attractiveness. For example, if five segments are evaluated and the highest total market attractiveness score of the five is 800, we can say only that that segment is relatively more attractive than the other few segments. We are still left wondering if it is attractive enough to justify targeting. The overall index score gives us the context in which to view that score. Over time, companies can establish threshold points of the overall index which can be used in making targeting decisions. For example, experience may show that an overall index score of 60 is the threshold for go/no-go decisions (over sixty is the target market; below sixty is not

TABLE 6.2. Development of a Market Attractiveness Index

Market attractive-ness factors	Relative importance	Unattractive to very attractive							Attractive-ness score
		0	1	2	3	4	5	6	(RI × Score) × 100
Market opportunity									
Market size	.40							x	240
Growth rate	.30			x					60
Buyer power	.20			x					40
Market potential	.10				x				30
	1.00								370
Competitive environment									
Number of companies	.30				x				90
Differentiation	.30			x					60
Ease of entry	.20						x		100
Substitutes	.20					x			80
	1.00								330
Market access									
Customer access	.20							x	120
Company synergies	.40						x		200
Sources of advantage	.30					x			120
Regulation	.10							x	60
	1.00								500

Total Attractiveness Score

Major attractiveness market forces	Relative weight	Factor index	Weighted index	Maximum index	Overall index*
Market opportunity	.30	370	111	180	62
Competitive environment	.40	330	132	240	55
Market access	.30	500	150	180	83
	1.00		393	600	66

Source: Adapted from Roger J. Best, *Market Based Management* (Upper Saddle River, NJ: Prentice-Hall, 1997), p.125.

*Overall index $= \dfrac{\text{Weighted index}}{\text{Maximum index}} \times 100$

targeted). Other considerations such as cost of serving segments and revenue generated by segment members can be used in making targeting decisions.

Once the target market decision is made, the following information is often needed in building the plan: (l) size and growth rate of the target market; (2) description of end users in the target group; and (3) information about competitors that will be helpful in selecting a positioning strategy.

In Chapter 2, Worthington Foods segmented the vegetarian and meat-restricting markets for their line of meat-alternative products. How did they choose which of these segments to target? They used a slightly less sophisticated method than the one previously described to compute a market attractiveness index for each of the segments identified in their research study of 2,000 consumers. Table 6.3 shows how the index was constructed.

Three categories of consumer information were measured: behaviors, attitudes, and intentions. Six behaviors, three intentions, and one attitude were measured (an average score of agreement for sixteen item statements in the survey). Of the ten measures, 60 percent were behaviors, 30 percent intentions, and 10 percent attitudes. These provide the "weights" used to construct the attractiveness index (see previous discussion). The units of measure for these components are different (e.g., a behavior measured as the number of times per week consumption takes place versus an attitude measured as the amount of agreement with an item statement in the questionnaire).

Therefore, all ten parts of the attractiveness scale must be standardized. We do that by indexing—making the segment with the highest level of each of the ten measures equal to 100 percent and then calculating the other segments' performance on that measure as a percentage of that number. For example, if the Alternative Advocates state that they eat meat alternatives 5.6 times/week, and Convenience-Driven segment members eat them 5.1 times/week, then Alternative Advocates have a 100 score (i.e., their 5.6/week is the highest consumption rate of all segments and is recorded as 100 percent), and the Convenience-Driven segment receives an index score of 91 (5.1 ÷ 5.6 = 91 percent).

Totaling up the index scores for all ten measures results in a single number (out of a possible 1,000 index points) that represents the attractiveness of each market segment as a potential target market. A

TABLE 6.3. Worthington Foods Segment Attractiveness Index

	Vegetarian segments					Meat-restricting segments			
	AA	CD	RV	AL	AO	AF	TS	ML	NN
Behavioral measures									
A. MSF users as a % of total	100	91	41	45	14	91	45	14	9
B. MSF users as a % of segment	100	100	43	39	17	48	26	9	4
C. MFPF % users × usage rate	59	100	30	34	13	30	26	5	1
D. MA % users × usage rate	100	86	16	76	4	33	4	1	12
E. MSF % users × usage rate	100	83	39	20	5	24	16	7	2
F. HOFPF users × usage rate	74	79	100	19	30	83	97	41	30
Intent measures									
A. % definitely purchase + one-half of % probably purchase	100	81	76	40	25	80	47	26	23
B. % trial interest × intend rate	86	81	100	52	34	88	71	46	51
C. # products "50% +" trial interest	100	42	21	26	5	16	5	5	5
Attitude measures									
Average agreement for 16 statements	100	70	61	47	16	75	36	24	11
Total index score (1,000 possible)	919	813	527	398	163	568	373	178	148

Ratio of highest to lowest = 6.2:1
Key: MSF = Morningstar Farms (a MA brand of Worthington Foods); MA = Meat Alternative (the type of product); MFPF = Meatless Frozen Prepared Foods; HOFPF = Health-Oriented Frozen Prepared Foods; AA = Alternative Advocates; CD = Convenience Driven; RV = Reluctant Vegetarians; AL= Animal Lovers; AO = Alternative Opponents; AF = Alternative Fans; TS = Time Savers; ML = Meat Lovers; NN = Natural Nuts

large range of scores among the segments indicates that the segmentation process was very useful in differentiating the most attractive groups from the least attractive. In the example, the highest scoring segment, the Alternative Advocates, is 6.2 times more attractive than the lowest-scoring segment, the meat-restricting Natural Nuts. A small variation in scores would indicate a mass market rather than a market with segments that should influence marketing strategy development.

In this case, as in the Mobil case, the market is not a mass of consumers all motivated and behaving very similarly. Rather, it is comprised of very different groups of people with different attitudes, behaviors, etc. Also, just as in the Mobil case, not all segments will be targeted (to be discussed in the Positioning section of this chapter). Sales improve when strategies are developed to better serve the needs of the fraction of the total market that comprises the targeted segments. The Worthington Foods case is a clear example of the "if-then" approach to planning discussed at the beginning of the chapter.

Targeting Strategies

Organizations may choose to target none, or one or more market segments based on target market attractiveness and profitability. Choosing how many segments to target is also a strategic decision. Possible target selection strategies are illustrated in Figure 6.3.

The mass marketing approach was common after World War II when pent-up consumer demand and lack of foreign competition meant firms could sell almost anything "to the masses." As markets

Mass marketing

Single segment

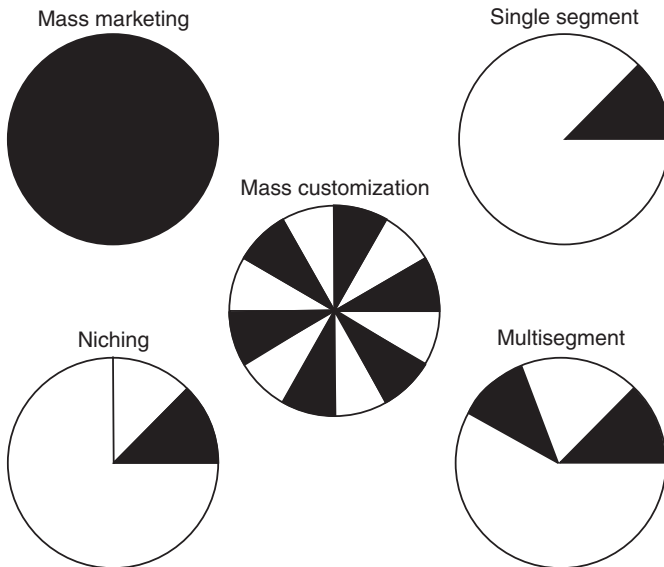Mass customization

Niching

Multisegment

FIGURE 6.3. Target Market Selection Strategies

have splintered into smaller segments with different expressed needs and harder-to-satisfy customers, mass marketing approaches have lost the ability to attract consumers. However, many small business without the resources or know-how to do target marketing are, in essence, practicing mass marketing strategies when they determine what they want to offer to the market and broadcast their appeal, hoping that someone, somewhere, will respond. Even if they possess a product that is desirable to some customers, the inefficiencies of such a strategy can mean the demise of such operations.

Single Segment

Single-segment strategies consist of marketing a product or line of products to a single segment. For instance, Mercedes-Benz traditionally pursued a single-segment strategy by marketing a line of luxury automobiles to affluent customers. In the late 1990s they broadened their target market to less affluent consumers with the C-Class cars, the SLK-Class sports cars, and an SUV targeted to compete with the top end of the "luxury" SUV market. Single-segment strategies are pursued by many companies who have extensive knowledge of customers within that segment and can specialize their production, distribution, and promotion. The danger in this strategy is that the single segment may face declining membership or increased competition, which places severe pressure on profits without revenues being generated from serving other markets.

Niche Targeting

Niches are narrowly defined customer groups that are usually a subsegment with a distinctive set of traits searching for specialized benefits. For example, Ferrari serves the needs of a niche within the luxury sports car segment. According to Kotler, an attractive niche is characterized as follows:

- Niche customers have distinct needs and will pay a premium to have them satisfied.
- The "nicher" has the skills to serve the niche well and gains certain economies through specialization.
- The niche is not likely to attract other competitors.
- The niche has sufficient size, profit, and growth potential.[2]

Niche marketing will be more prevalent among large companies in the future. Small companies and start-up firms quite often use niche marketing strategies to avoid confronting larger competition in highly attractive market segments.

Multisegment

In multisegment marketing a company may choose to target several segments at once. If there is little or no synergy among the segments but each scores high on the market attractiveness index, the firm is using a selective specialization approach. This strategy diversifies a company's market risk, allowing for exiting a market which becomes unattractive without impact to the other targeted segments. Product/market specialization is producing different, but related products for slightly different segments in a market. For example, Intuit sells software for personal finance and for small businesses. This strategy builds a strong reputation for expertise with the product category, but makes product specialization firms vulnerable to changes in technology, unless they lead the change. Serving market segments with different products is referred to as market specialization. Some consulting firms specialize in serving different segments of the educational market (high schools, primary schools, public universities, small private colleges, etc.) with computer system design, recruitment, accreditation help, etc. Companies with a market specialization strategy can build a strong reputation for having an expertise in addressing market needs, allowing for easier expansion of services. The risk is that all segments of the market may suffer from budgeting or environmental impact simultaneously.

Finally, some multisegment strategies can be characterized as sequential targeting approaches, whereby a firm pursues targeting a series of market segments over time. This strategy makes sense when limited resources prevent targeting all desired segments at once. Each successive targeted segment generates resources which can be used to penetrate newly targeted segments. Toyota's success in the U.S. market is an example of such an approach. The original low-cost/high-quality brand, which was targeted at the low-price end of the market, gave Toyota the financial support and reputation to penetrate increasingly more expensive car, truck, SUV, and luxury car seg-

ments. Such a multisegment strategy was not possible when they entered the American market in the 1960s.

Mass Customization

Mass customization is the ability to prepare on a mass basis individually designed products and communications to meet each customer's requirements. Before the industrial revolution, this was the only way products were marketed. Database marketing and computer-aided manufacturing make mass customization cost effective today. For example, a swimwear manufacturer has a computer/camera system in several stores that can be used to digitize an image of a customer wearing an off-the-rack swimsuit; the system then adjusts to create a perfect-fit suit. The customer selects from more than 150 patterns and styles and the computerized measurements are transmitted to the factory computer for production. The suit is mailed to the customer within days. Levi Strauss sells custom jeans in some of its retail locations using a similar system. Extensive databases of customer purchasing patterns and other vital information permit direct marketing of products and services to fit the needs of individual customers. This is niche marketing taken to the extreme and may not be that effective for all companies.[3]

Target Marketing Under Different Market Conditions

Target market selection and strategy may vary under different market conditions. Several of these market conditions are described next with implications for targeting strategy.[4]

Emerging Markets

When a new market begins to emerge, consumer needs and wants are not sharply defined. Hence, segments may not yet be formed because consumers are searching for the same basic benefits from new technologies or services. The interaction of consumers with the new products will more clearly define consumer wants and distinguish one segment of consumers from another. In emerging markets, targeting is directed at the common "center" of the market until segments begin to acquire an identity. The entry of new competitors with differ-

entiable product features will cause consumers to reveal emerging segments.

Growth Stage

When markets enter the growth stage segments of consumers begin to emerge. Segments based on usage rates (low, medium, high) and other characteristics related to interest in the product and product usage can be identified. During growth, other competitors begin to enter the market and target specific segments. Segments not served by larger firms may be the target of smaller competitors seeking to gain a competitive advantage by focusing on single-segment needs. Marketing efforts change from building awareness and knowledge of the product category to emphasizing product differentiation.

Mature and Declining Markets

The search for and exploitation of a competitive advantage is at its greatest during the maturing stage of a market's life cycle. Markets fragment into many segments, so firms must actively analyze them for opportunities arising out of new segment formation and threats from new competitors. Market nichers are also at their most active during the maturity stage, which can erode market potential in older segments. Buyers in mature markets are typically very demanding and difficult to satisfy, making databases of customer purchasing patterns, preferences, attitudes, etc., particularly valuable as a means of identifying and addressing buyer demands. Pressure to increase profits may mean dropping some marginal segments as targets, while concentrating on more profitable products and customer groups. Strategies for mature markets include market modification, product modification, and marketing-mix modification.

1. *Market modification*—Companies may try to increase sales by either expanding the number of brand users by converting nonusers, entering new market segments, or winning competitor customers, or by increasing the rate of usage by current users by encouraging more frequent usage, more usage per occasion, or discovering new and more varied uses.

2. *Product modification*—Companies operating in mature markets may seek to stimulate sales through modifying products. They may improve quality of performance along the lines that customers value,

add new features that deliver new benefits, or change style to increase aesthetic appeal.

3. *Marketing-mix modification*—Marketing managers might make changes in one or more parts of the marketing mix (product, place, price, promotion) to adjust to a maturing market. No accepted rule of thumb dictates which of the parts of the mix is most effectively modified at this stage to generate increased sales. Managers must evaluate each maturing market separately to determine what would be most effective in each circumstance.

When markets reach the decline stage of their life cycle, competition typically lessens as firms either abandon the market or substantially reduce marketing expenditures. Consequently, the targeting decision may consist of appealing to broad market segments, similar to those decisions in emerging markets, or in dropping the products that are now incapable of generating acceptable levels of profit.

PRODUCT POSITIONING

Effective product positioning is a key ingredient of successful marketing. This section discusses the importance of positioning as it relates to target market strategy and several approaches to the process.

The Interrelationship of Market Targeting and Product Positioning

Target marketing essentially accommodates different consumer groups in a marketing plan or strategy. Various consumers react differently to products, promotions, prices, and channels. Therefore, the marketer cannot consider simply the overall population's response, but rather the reaction among different market segments. In this process, the marketer is both defining the characteristics of various attractive segments and allocating marketing resources among these segments. Product positioning is closely linked with this. A product's "position" is the place that it occupies relative to competitors in a given market as *perceived* by the relevant group of target customers. Positioning involves determining consumers' perceptions of a product and also implementing marketing strategies to achieve a desired position. Product, price, distribution, and promotional ingredients are

all potential tools for positioning a company and its offerings. Targeting and positioning work in tandem. The process may start either by selecting a target-market segment and then trying to develop a suitable position, or by selecting an attractive product position and then identifying an appropriate market segment. Positioning is a key ingredient for achieving successful market results.

Because positioning decisions have not always been made consciously or successfully by businesses, a systematic approach to the decision is needed. The next section will discuss various strategies and techniques used in positioning.

Strategies to Position Products

Many strategies exist for positioning a product or service or even an organization. The following examples illustrate some of these approaches. Combinations of these approaches are also possible.

A product may be positioned on the basis of its features or benefits. For example, an advertisement may attempt to position the product by reference to its specific features. Although this may be a successful way to indicate product superiority, consumers are generally more interested in what such features mean to them, that is, how they can benefit from the product. Toothpaste advertising often features the benefit approach, as the examples of Crest (decay prevention), Close-Up (sex appeal through white teeth and fresh breath), and Aquafresh (a combination of these benefits) illustrate. The difference between a benefit approach and the features approach is illustrated by the adage, "Don't sell the steak, sell the sizzle."

Many products are sold on the basis of their consumer usage situation. A company may broaden its brand's association with a particular usage or situation. For many years Campbell's Soup was positioned for use at lunchtime and advertised extensively over noontime radio. It now stresses a variety of uses for soup (recipes are on labels) and a broader time for consumption, with the more general theme "Soup is good food." Gatorade was originally a summer beverage for athletes who needed to replace body fluids, but it has also tried to develop a positioning strategy during the cold and flu season as the beverage to drink when the doctor recommends consuming plenty of fluids. Arm & Hammer very successfully added a position to its baking soda—as an odor-destroying agent in refrigerators—and sales jumped tremendously.

Another approach associates the product with a user or a class of users. For example, some cosmetics companies seek successful, highly visible models as their spokespersons. Other brands may pick lesser-known models to portray a certain lifestyle. The Nissan Xterra is positioned as the SUV for young, active, extreme-sports enthusiasts. A company may change its positioning as it changes market targets. Volkswagen did this when it changed from being targeted as an economy car to its position as a "fun" car for "twenty-somethings" buying their first new car. Because users and usage situations are related, they may often be linked in an ad.

Finally, a company may look for weak points in the positions of its competitors and then launch marketing attacks against them. In this approach, the marketer may either directly or indirectly make comparisons with competing products. An example is KFC's positioning as a more attractive fast-food alternative to hamburgers.

In Table 6.4 Worthington Foods positions its line of meat alternative products in the two vegetarian and two meat-restricting segments that had the highest attractiveness scores (see Table 6.3). It focused on the unique selling proposition (USP) best suited to position the products to these segments, given what the research study revealed about the segment's attitudes, behaviors, motives, etc. Here again we see how understanding is translated into planning—in this case, the planning of a positioning strategy.

Positioning Analysis

Marketers may use several techniques for determining the appropriate positioning for a brand. Whether the brand is new or old, focus groups and in-depth interviews may be helpful in providing insights from consumers. In addition, survey and experimental research approaches may provide useful positioning data. Lifestyle information and a technique known as perceptual mapping can also be helpful in positioning decisions.

Lifestyle Positioning

Consumer AIOs (activities, interests, opinions) can be used in designing a marketing strategy. For example, the U.S. Army found dramatic differences between young people favoring and those not fa-

TABLE 6.4. Worthington Foods Positioning and Communication Strategies

	Vegetarians (CDs, AAs)	Meat restrictors (AFs, TSs)
Positioning	Morningstar Farms (MSF) provides vegetarians with the most convenient, healthy way to enjoy good-tasting vegetarian entrees.	For people trying to eat healthier by reducing their meat consumption, Morningstar Farms provides the taste appeal and satisfaction of meat in convenient, meatless foods.
Unique selling proposition	Only Morningstar Farms enriches your vegetarian diet by providing the best combination of taste and convenience in a wide variety of meatless entrees.	Only Morningstar Farms gives you the satisfaction of meat without the cholesterol or saturated fat because Morningstar Farms offers convenient, meatless foods with all the meat taste you crave.
Support	• MSF Garden Patties are made from the vegetables you love. • Other MSF foods are meat free and made with a tasty blend of grains and vegetable protein. • MSF foods have no cholesterol, are lower in fat, and contain no animal fat. • MSF has the most complete line of micowaveable foods. • They are conveniently available in supermarkets.	• MSF foods are meat free and made from a wholesome blend of grains and vegetables. • MSF goods are real meat substitutes—they look and taste like meat. • MSF foods have no cholesterol and are low in fat. • MSF has the most complete line of meat-free microwaveable foods.

AA = Alternative Advocates; CD = Convenience Driven; AF = Alternative Fans; TS = Time Savers

voring the army as a career. Data suggest that it may be a mistake to position the army as a continuous party in which discipline is relaxed and nobody is required to stand in line, clean rooms, follow orders, or shoot guns. Young men and women who agree that the army is a good career appear to be unusually patriotic and conservative and are willing to accept hard work, discipline, and direction. An ad copy for the U.S. Army ("Why should the Army be easy? Life isn't . . . Army.") illustrates the creative response to such findings.

Perceptual Mapping

The previous discussion suggests that consumers' perceptions of products are developed in a complex way and are not easily determined by the marketer. However, a technique known as perceptual mapping may be used in exploring consumers' product perceptions. Since products can be perceived on many dimensions (such as qual-

ity, price, and strength) the technique is multidimensional in nature. That is, it allows for the influence of more than one stimulus characteristic on product perceptions. Typically, consumers fill out measuring scales to indicate their perceptions of the many characteristics and similarities of competing brands. Computer programs analyze the resulting data to determine those product characteristics or combinations of characteristics that are most important to consumers in distinguishing between competing brands. Results of these analyses can be plotted in a perceptual "map" (see Figure 3.3 in Chapter 3), which displays how consumers perceive brands and their differences on a coordinate system.

SUMMARY

This chapter completes the two-chapter sequence begun in Chapter 5 on marketing planning. Chapter 6 has focused on the development of an annual operating marketing plan. The intent of the operating marketing plan is to identify the strategies and tactics at the product/market level that put the longer-range strategic plan into action. Four steps are involved in constructing the operating plan—conducting a situation analysis, setting objectives, defining a strategy, and identifying the means of monitoring and controlling the implementation of the plan.

One important part of any marketing plan is selecting a target market. A method of measuring the attractiveness of market segments to aid in selecting target markets was discussed, along with various targeting strategies. Also discussed was target marketing under different market conditions and positioning the product for the target market.