CHAPTER 2

Marketing Planning and Management

Stressing speed, function, and an easy-to-use interface, the Slack platform lets employees message one another individually or in groups.

Source: imageBROKER/ Alamy Stock Photo

Developing the right marketing strategies over time requires a blend of discipline and flexibility. Firms must stick to a strategy but also constantly improve it. In today's fast-changing marketing world, identifying the best long-term strategies is crucial. At the core of any successful marketing strategy is the development of an enduring value proposition that addresses a real customer need. One company that has developed a distinct offering designed to address an unmet customer need is Slack.

>>> Slack, launched in 2013, is a communications platform that lets team members message one another, one-on-one or in groups. Slack has a flexible architecture that offers an unstructured environment—similar to an open-plan office space—where employees can share, collaborate, and see what everyone else is working on. It makes conversation threads easy to search, and customized notifications let users concentrate on the task at hand without missing something relevant. The distinct features that set Slack apart from similar apps are its speed, functionality, and user-friendly interface. Slack comes in a free version with limited storage and features but also offers several tiers of expanded plans, priced per active user. Employers like Slack because it decreases the burden of e-mailing and helps streamline work-related communication. More important, Slack integrates the

tools many companies already use, such as Google Drive and other popular business applications, making it easy to centralize communications and the work flow. Another important benefit of Slack is its ability to bring work-related social media into the workplace, making work life more like digital life. In this context, *Slate* magazine described Slack's app as "cool office culture, available for instant download." Despite the lack of a formal sales force—the vast majority of its new customers are referrals who hear about it from friends, co-workers, and social media—in less than four years, Slack amassed more than 10 million daily active users in 150 countries and reached a valuation of $7 billion.[1]

This chapter begins by examining some of the strategic marketing implications involved in creating customer value. We'll look at several perspectives on planning and describe how to draw up a formal marketing plan.

Corporate and Business Unit Planning and Management

To ensure that they execute the right activities, marketers must prioritize strategic planning in three key areas: managing the company's businesses as an investment portfolio, assessing the market's growth rate and the company's position in that market, and developing a viable business model. The company must develop a game plan for achieving the long-run objectives of each business unit.

Generally speaking, marketing planning and management can occur on three different levels: corporate, business unit, and specific market offering. Corporate headquarters is responsible for designing a corporate strategic plan to guide the whole enterprise. It makes decisions on the amount of resources to allocate to each business unit, as well as on which businesses to start or eliminate. Each business unit develops a plan to carry that business unit into a profitable future. Finally, each market offering involves a marketing plan for achieving its objectives (Figure 2.1).

This section addresses the key issues involved in analyzing, planning, and managing a company or distinct business units. The remainder of the chapter examines the process of analyzing, planning, and managing a company's offerings.

Companies undertake four planning activities: defining the corporate mission, building the corporate culture, establishing strategic business units, and assigning resources to each strategic business unit. We'll briefly look at each process.

DEFINING THE CORPORATE MISSION

An organization exists to accomplish something: make cars, lend money, provide a night's lodging. Over time, the mission may change to respond to new opportunities or market conditions. Amazon.com changed its mission from being the world's largest online bookstore to aspiring to be

Learning Objectives After studying this chapter you should be able to:

2.1 Identify the key tasks required for company and business unit planning.

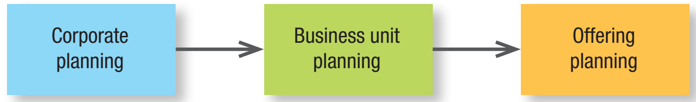
2.2 Describe the process of developing a market offering.

2.3 Explain the process of marketing planning.

2.4 Describe the key components of an actionable marketing plan.

2.5 Explain how and when to modify the marketing plan.

FIGURE **2.1**
The Strategic Planning Processes



the world's largest online store; eBay changed from running online auctions for collectors to running online auctions that offer all kinds of goods; and Dunkin' Donuts switched its emphasis from doughnuts to coffee.

A **mission** is a clear, concise, and enduring statement of the reasons for an organization's existence. Often referred to as its *core purpose*, a company's mission is a long-term goal that provides company employees and management with a shared sense of purpose, direction, and opportunity.[2]

To define its mission, a company should address Peter Drucker's classic questions:[3] What is our business? Who is the customer? What is of value to the customer? What will our business be? What should our business be? These simple-sounding questions are among the most difficult a company will ever face. Successful companies continuously ask and answer them.

A clear, thoughtful mission statement, developed collaboratively with managers, employees, and often customers, provides a shared sense of purpose, direction, and opportunity. At its best, it reflects a vision, an almost "impossible dream," that provides direction for the next 10 to 20 years. Sony's former president, Akio Morita, wanted everyone to have access to "personal portable sound," so his company created the Walkman and the portable CD player. Fred Smith wanted to deliver mail anywhere in the United States before 10:30 AM the next day, so he created FedEx.

Consider the following mission statements:

Google's mission is to organize the world's information and make it universally accessible and useful.[4]
At IKEA our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.[5]
Facebook's mission is to give people the power to build community and bring the world closer together.[6]
Tesla's mission is to accelerate the world's transition to sustainable energy.[7]
To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time (Starbucks).[8]
Our mission is to empower every person and every organization on the planet to achieve more (Microsoft).[9]

Good mission statements have five major characteristics.

- **They focus on a limited number of specific goals.** Mission statements containing a laundry list of unrelated activities tend to be less effective than focused mission statements that clearly articulate their ultimate goals.
- **They stress the company's major policies and values.** Narrowing the range of individual discretion lets employees act consistently on important issues.
- **They define the major markets that the company aims to serve.** Because the choice of target market defines a company's strategy and tactics, it should be defined by and follow from the company's mission statement.
- **They take a long-term view.** The corporate mission defines the ultimate strategic goal of the company; it should be changed only when it ceases to be relevant.
- **They are as short, memorable, and meaningful as possible.** Three- to four-word corporate mantras are typically more effective than long-winded mission statements.

BUILDING THE CORPORATE CULTURE

Strategic planning happens within the context of the organization. A company's organization consists of its structures, policies, and corporate culture, all of which can become dysfunctional in a rapidly changing business environment. Whereas managers can change structures and policies (though with difficulty), the company's culture is very hard to change. Yet creating a viable corporate culture is often the key to market success, as the experience of Southwest Airlines shows.

Source: Richard Ellis/Alamy Stock Photo

<< Southwest Airlines' resolve to stand out from other airlines is based on providing a supportive, inclusive, and fun company culture.

Southwest Airlines Established in 1967, Southwest Airlines continues to differentiate itself from other airlines with outstanding customer service. At the core of this service is the company's culture, which inspires its more than 58,000 employees to delight the airline's passengers. By creating an inclusive and fun culture where every team member feels responsible for the success of company, Southwest motivates employees to take pride in their work, which often translates into a superior customer experience. In fact, Southwest ranks its employees first in importance, followed by customers and company shareholders. The airline explains its company culture: "We believe that if we treat our employees right, they will treat our customers right, and in turn that results in increased business and profits that make everyone happy." This supportive environment has helped Southwest create a loyal customer base and become the nation's largest domestic air carrier—a ranking it has maintained since 2003.[10]

What exactly is a **corporate culture**? Some define it as "the shared experiences, stories, beliefs, and norms that characterize an organization." Walk into any company and the first thing that strikes you is the corporate culture—the way people dress, talk to one another, and greet customers.

A customer-centric culture can affect all aspects of an organization. Enterprise Rent-A-Car features its own employees in its latest "The Enterprise Way" ad campaign. Through its "Making It Right" training program, Enterprise empowers all employees to make their own decisions. One ad in the campaign, themed "Fix Any Problem," reinforces how any local Enterprise outlet has the authority to take actions that maximize customer satisfaction.[11]

DEFINING STRATEGIC BUSINESS UNITS

Many large companies manage a portfolio of different businesses often referred to as strategic business units, each requiring its own strategy. A **strategic business unit (SBU)** has three characteristics: (1) It is a single business, or a collection of related businesses, that can exist separately from the rest of the company; (2) It has its own set of competitors; and (3) It has a manager responsible for strategic planning and profit performance, who controls most of the factors affecting profit.

Strategic business units make up a company's portfolio. Based on the diversity of the individual strategic business units within the portfolio, these units can be defined as specialized or diversified.

A **specialized portfolio** involves SBUs with fairly narrow assortments consisting of one or a few product lines. To illustrate, Ferrari (high-performance sports cars), Glacéau (bottled water), GoPro (action camcorders), and Roku (digital media streaming) have strategically limited their product mix to a fairly narrow product line.

In contrast, a **diversified portfolio** involves SBUs with fairly broad assortments containing multiple product lines. For example, companies like Amazon, General Electric, Johnson & Johnson, and Unilever offer a wide variety of product lines. The primary rationale for a diversified business mix is to take advantage of growth opportunities in areas in which the company has no presence.

Each business unit needs to define its specific mission within the broader company mission. Thus, a company that manufactures and markets lighting equipment for television studios might define its mission as "To target major television studios and become their vendor of choice for lighting technologies that represent the most advanced and reliable studio lighting arrangements." Note that this mission statement does not mention winning business from smaller television studios, offering the lowest price, or venturing into non-lighting products.

The purpose of identifying the company's strategic business units is to develop separate strategies and assign appropriate funding. Senior management knows its portfolio of businesses usually includes a number of "yesterday's has-beens" as well as "tomorrow's winners." Liz Claiborne has put more emphasis on some of its younger businesses, such as Juicy Couture, Lucky Brand Jeans, Mexx, and Kate Spade, while selling businesses without the same buzz (Ellen Tracy, Sigrid Olsen, and Laundry).

ALLOCATING RESOURCES ACROSS BUSINESS UNITS

Once it has defined its SBUs, management must decide how to allocate corporate resources to each unit.[12] This is often done by assessing each SBU's competitive advantage and the attractiveness of the market in which it operates. When assessing individual business units, a company might also consider existing synergies among them. Such synergies can be related to company processes (e.g., research and development, manufacturing, and distribution) or to personnel (e.g., experienced management, qualified engineers, and knowledgeable sales force). Based on the assessment of its portfolio of business units, the company could decide whether to grow, "harvest" (or draw cash from), or hold on to a particular business.

Portfolio management focuses on two types of factors: (1) opportunities presented by a particular industry or market and (2) the company's resources, which determine its ability to take advantage of the identified opportunities. Here, market opportunities are typically defined in terms of overall market/industry attractiveness factors such as its size, growth, and profitability. A company's resources, on the other hand, reflect its competitive position in the marketplace and are often measured in terms of factors such as strategic assets, core competencies, and market share.

Because the principles for making resource-allocation decisions across different business units are very similar across industries, many companies have developed generalized strategies for making such decisions. These generalized strategies are often integrated into formal portfolio models that offer guidance on how to allocate resources across multiple SBUs.

Kraft To account for the varying rates of growth of its different business units and the differences in their strategic goals, strategies, and tactics, Kraft split into two businesses: a fast-growing global snacks and candy business that includes Oreo cookies and Cadbury candy, and a slower-growing North American grocery business with long-term stalwarts Maxwell House coffee, Planters peanuts, Kraft cheese, and Jell-O. The snacks and candy business was branded as Mondelēz International and positioned as a high-growth company with many opportunities in emerging markets such as China and India. The grocery business retained the Kraft Foods name (now KraftHeinz), and, because it consisted of many category-dominant meat and cheese brands, it was seen as more of a cash cow for investors interested in consistent dividends. Mondelēz has ramped up for rapid expansion, while Kraft Foods has focused on cost-cutting and selective investment to back up its power brands.[13]

A key aspect in developing portfolio models involves identifying the metrics underlying the performance of a given business unit. Depending on the assumptions of the model, these metrics can include factors such as return on investment, market share, and industry growth rate. One widely used—albeit somewhat oversimplified and subjective—approach to portfolio analysis is the BCG matrix developed by the Boston Consulting Group. Newer portfolio-management methods use a more comprehensive approach to assess the potential of a business based on growth opportunities from global expansion, repositioning or retargeting, and strategic outsourcing.

Source: Michael Neelon(misc)/Alamy Stock Photo

<< Kraft's decision to split into two companies, Mondelēz International and KraftHeinz, was based on differing goals, strategy, and tactics as well as varied growth rates.

Developing Market Offerings

In order to create value for target customers, collaborators, and company stakeholders, it is necessary for a company to clearly identify the target market in which it will compete and to design an offering that will deliver a meaningful set of benefits to target customers.[14] These activities encompass the two key components of a company's business model: strategy and tactics.

Strategy involves choosing a well-defined market in which the company will compete and determining the value it intends to create in this market. **Tactics**, also called the marketing mix, make the company's strategy come alive: They define the key aspects of the offering developed to create value in a given market. The tactics logically follow from the company's strategy and reflect the way the company will make this strategy a market reality. Tactics shape everything from the offering's benefits and costs to the means by which target customers learn about and buy the offering.

Strategy and tactics are fundamentally intertwined. A company's strategy specifies the target market and the value the company aims to create in this market, while the tactics detail the actual attributes of the offering that will create value in the chosen market. Deciding on the specific tactical aspects of an offering—its features, brand image, and pricing, and the means of promoting, communicating, and distributing the offering—is not possible without understanding the needs of the target marketing and the competing options that exist to fulfill these needs.

The key aspects of an offering's strategy and tactics are discussed in more detail in the following sections.

DEVELOPING THE MARKETING STRATEGY

Marketing strategy incorporates two key components: the *target market* in which the company will compete and the *value proposition* for the relevant market entities—the company, its target customers, and its collaborators. A carefully chosen target market and a well-crafted value proposition provide the foundation of the company's business model and serve as the guiding principles for determining the tactical decisions that define the company's offering.

Identifying the Target Market. The **target market** in which a company aims to create and capture value comprises five factors: the *customers* whose needs the company intends to fulfill, the *competitors* that aim to fulfill the same needs of the same target customers, the *collaborators* that help the company fulfill the needs of customers, the *company* that develops and manages the offering, and the *context* that will affect how the company develops and manages the offering.

These five market factors—the *Five Cs*—are visually represented in the *5-C framework* as a set of concentric ellipses: Target customers are in the center, with collaborators, competitors, and the company

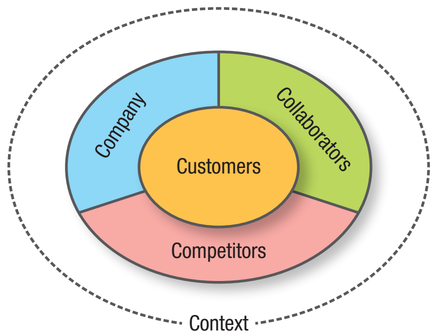


FIGURE **2.2**

Identifying the Target Market: The 5-C Framework

Source: Alexander Chernev, *Strategic Marketing Management: Theory and Practice* (Chicago, IL: Cerebellum Press, 2019).

in the middle and the context on the outside (Figure 2.2). The central placement of target customers in the 5-C framework reflects their defining role in the market. The other three market entities—the company, its collaborators, and its competitors—work to create value for the target customers. Forming the outer layer of the 5C framework is the market context, which defines the environment in which customers, the company, collaborators, and competitors operate.

The Five Cs and the relationships among them are discussed in more detail in the following sections.

- **Target customers** are the individuals or organizations whose needs the company plans to fulfill. Target customers in business-to-consumer markets are typically the end users of the company's offerings, whereas in business-to-business markets, target customers are other businesses that use the company's offerings. Two key principles determine the choice of target customers: The company and its collaborators must be able to create superior value for target customers relative to the competition, and the target customers chosen should be able to create value for the company and its collaborators.
- **Collaborators** work with the company to create value for target customers. A company should base the choice of collaborators on the complementary resources they can offer to help the company fulfill customer needs. Collaboration involves outsourcing (rather than developing) the resources that the company lacks but that it requires to create an offering that fulfills the needs of target customers. Instead of building or acquiring resources that are lacking, a company can gain access to necessary resources by partnering with entities that have them and can benefit from sharing them. Collaborators can include suppliers, manufacturers, distributors (i.e., dealers, wholesalers, and retailers), research-and-development entities, service providers, external sales forces, advertising agencies, and marketing research companies.
- **Competitors** aim to fulfill the same needs of the same customers that the company is targeting.[15] Companies should avoid falling prey to the myopic view of competition that defines their rivals using traditional category and industry terms.[16] A company should examine the main competitors and their strategies by asking the following questions: What is each competitor seeking in the marketplace? What drives each competitor's behavior? This helps clarify the company's position since many factors are involved a competitor's objectives, including its size, history, current management, and financial situation. For example, it's important to know whether a competitor that is a division of a larger company is being run for growth or for profits, or is just being milked.[17]
- The **company** develops and manages a given market offering. For organizations with diverse strategic competencies and market offerings, the term *company* typically refers to the particular business unit that manages a specific offering. Each strategic business unit can be viewed as a separate company that requires its own business model. For example, GE, Alphabet (Google's parent company), and Facebook have multiple strategic business units.
- The **context** is the environment in which the company and its collaborators operate. It encompasses five factors. The *sociocultural context* is characterized by social and demographic trends, value systems, religion, language, lifestyles, attitudes, and beliefs. The *technological context* consists of new techniques, skills, methods, and processes for developing, communicating, and delivering market offerings. The *regulatory context* includes taxes, import tariffs, and embargoes, as well as product specification and pricing, communication regulations, and intellectual property laws. The *economic context* is made up of economic growth, money supply, inflation, and interest rates. The *physical context* comprises natural resources, geographic location, topography, climate trends, and health conditions. Context can have a dramatic impact on a company's ability to create market value.

Many recent developments—including the advancements in artificial intelligence, the initiation of trade wars, global warming, and the coronavirus pandemic—have forced many companies to completely rethink the way they operate and pivot their business models.

The key component of the target market is the selection of target customers, which determines all other aspects of the market: This includes specifying the competition, choosing collaborators, defining the company resources needed to develop a superior offering for customers, and outlining the context in which the company will create market value. It follows that a change in target customers typically leads to a change in competitors and collaborators, different resource requirements, and a change in context factors. Because of its strategic importance, the choice of the right target customers is the foundation for building a successful business model.

The Five Cs and the Five Forces of Competition

The Five-C framework is similar to the Five Forces framework originated by Michael Porter.[18] The Five Forces framework identifies industry competitiveness according to five factors: the bargaining power of suppliers, the bargaining power of buyers, the threat of new entrants, the threat of substitutes, and rivalry among existing competitors. These five factors jointly define the competitive environment in which a firm operates. The Five Forces framework suggests that competition within an industry increases along with greater bargaining power of suppliers and buyers, a higher threat of new competitors and substitute products, and intensified rivalry among existing competitors.

The Five Forces framework is similar to the 5-C framework in that both are meant to facilitate analysis of the market in which a company operates. The difference between these frameworks is the way in which each defines the market. The Five Forces framework analyzes the competition in the market from an industry perspective. The 5-C framework, on the other hand, defines the market based on customer needs rather than on the industry in which the company competes. Accordingly, it defines competitors in terms of their ability to fulfill customer needs and create market value. The 5-C framework is not concerned with whether the company and its competitors operate within the same industry, which makes the concept of substitutes superfluous because from a customer's point of view, substitutes are merely cross-category competitors that aim to fulfill a particular need.

The Five Forces framework's focus on industry makes it particularly relevant for marketers analyzing the competitive structure within a given industry. However, the Five Forces approach has much less relevance when it comes to analyzing an offering's ability to create market value. In this case, the 5-C framework is typically more useful because of its customer focus and its market perspective based on customer needs rather than on a particular industry.[19]

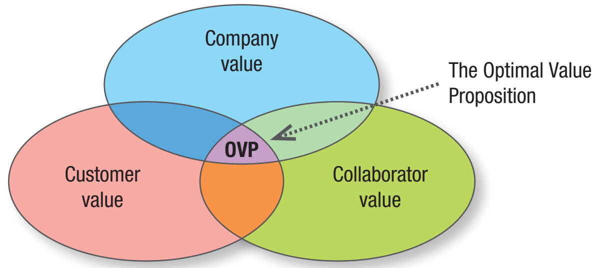
Developing a Value Proposition. A successful offering must create superior value not only for target customers but also for the company and its collaborators. Accordingly, when developing market offerings for the relevant entities in the market exchange, a company needs to consider all three types of value: customer value, collaborator value, and company value.

- **Customer value** is the worth of an offering to its customers and hinges on customers' assessment of how well an offering fulfills their needs. The value that an offering creates for its customers is based on three main factors: the *needs* of the target customers, the benefits customers receive and the costs they incur when they purchase the company's offering, and the benefits and costs of the alternative means—competitive offerings—that target customers can use to fulfill their needs. Thus, the customer value proposition should be able to explain why target customers would choose the company's offering instead of the available alternatives.
- **Collaborator value** is the worth of an offering to the company's collaborators. It sums up all benefits and costs that an offering creates for collaborators and reflects how attractive an offering is to collaborators. The collaborator value proposition should explain why collaborators would choose the company's offering instead of competitive alternatives to achieve their goals.
- **Company value** is the worth of the offering to the company. The value of an offering is defined relative to all benefits and costs associated with it, its affinity with the company's goal(s), and the value of other opportunities that could be pursued by the company—for example, other offerings that the company could launch. Therefore, the company value proposition determines why the company would choose this offering instead of selecting alternative options.

FIGURE **2.3**

The 3-V Market Value Principle

Source: Alexander Chernev, *Strategic Marketing Management: Theory and Practice* (Chicago, IL: Cerebellum Press, 2019).



The market value principle is also referred to as the 3-V principle because it underscores the importance of creating value for the three key market entities—target customers, collaborators, and the company itself. The market value principle defines the viability of a business model by posing three sets of questions that must be addressed:

> *What value does the offering create for target customers? Why would target customers choose this offering? What makes this offering superior to the alternative options?*
>
> *What value does the offering create for the company's collaborators (suppliers, distributors, and co-developers)? Why would collaborators partner with the company instead of with other entities?*
>
> *What value does the offering create for the company? Why should the company invest resources in this offering rather than pursuing other options?*

The need to manage value for all three of these market entities begs the question of which value to prioritize. This requires the creation of an **optimal value proposition** that balances the value for customers, collaborators, and the company. The term *optimal value* as used here means that the value of the offering is connected across the three entities, such that it creates value for target customers and collaborators in a way that enables the company to achieve its strategic goals. The market value principle optimizes customer, collaborator, and company value and is the basis of market success (Figure 2.3). Failure to create superior value for any of the three market entities inevitably leads to an unsustainable business model and dooms the business venture.

Consider the means that Starbucks uses to create market value. Customers receive the functional benefit of a variety of coffee beverages and the psychological benefit of expressing their personality by choosing a customized beverage, for which they deliver monetary compensation to Starbucks. Collaborators (coffee growers) receive monetary payments from Starbucks for the coffee beans they provide and derive the strategic benefit of having a consistent demand for their product; in return, they invest resources in growing coffee beans that conform to Starbucks' standards. Starbucks receives revenues and profits from investing company resources in developing and offering its products and services to consumers, in addition to deriving the strategic benefits of building a brand and enhancing its market footprint.

DESIGNING THE MARKETING TACTICS

The **market offering** is the actual good that the company deploys in order to fulfill a particular customer need. Unlike the target market and the value proposition, which reflect the company's strategy, the market offering reflects the company's tactics—the specific way the company will create value in the market in which it competes.

Marketing managers have seven tactics at their disposal to develop an offering that creates market value: product, service, brand, price, incentives, communication, and distribution. Also called the **marketing mix**, these seven attributes (also referred to as tactics or Ts) represent the combination of activities required to transform the market offering's strategy into reality (Figure 2.4).

The seven attributes that delineate the market offering are as follows:

- The **product** is a marketable commodity that aims to create value for target customers. Products can be tangible (like food, apparel, and furniture) or intangible (like music and software). Purchase of a product gives customers ownership rights to the acquired good. For example, with the purchase of a car or a software program, the owner is granted all rights to the acquired product.
- The **service** also aims to create value for its customers, but it does so without entitling them to ownership. Examples of services include appliance repairs, movie rental, medical procedures, and tax preparation. At times, the same offering can be positioned as a product or a service.

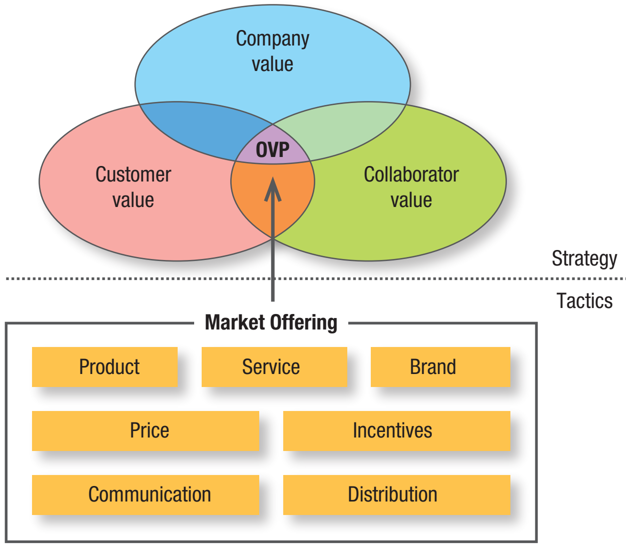


FIGURE **2.4**

Marketing Tactics: The Seven Tactics (7 Ts) Defining the Market Offering

Source: Alexander Chernev, *Strategic Marketing Management: Theory and Practice* (Chicago, IL: Cerebellum Press, 2019).

This occurs, for example, when a software program can be offered as a product that gives purchasers the rights to a copy of the program, or as a service that allows customers to lease the program and temporarily receive its benefits.

- The aim of the **brand** is to identify the products and services produced by the company and differentiate them from those of the competition, in the process creating unique value over and above the product and service aspects of the offering. The Rolls-Royce brand identifies the cars manufactured by BMW subsidiary Rolls-Royce to differentiate these cars from those made by Bentley, Maserati, and Bugatti, as well as to evoke a distinct emotional reaction from its customers, who use the Rolls-Royce brand to call attention to their wealth and socioeconomic status.
- The **price** is the monetary charge that customers and collaborators incur to receive the benefits provided by the company's offering.
- **Incentives** are targeted tools designed to enhance the value of the offering by reducing its costs or increasing its benefits. Incentives are typically offered in the form of volume discounts, price reductions, coupons, rebates, premiums, bonus offerings, contests, and monetary and recognition rewards. Incentives can be directed to consumers or to the company's collaborators—for example, its channel partners.
- **Communication** apprises target customers, collaborators, and the company stakeholders of the specifics of the offering and where to acquire it.
- **Distribution** encompasses the channel(s) used to deliver the offering to target customers and company collaborators.

Again, a Starbucks example can illustrate these attributes. Starbucks' *product* includes the variety of beverage and food items available. The *service* consists of the assistance that Starbucks offers to customers before, during, and after purchase. The *brand* consists of the Starbucks name and logo, as well as the associations it evokes in customers' minds. The *price* is the amount of money that Starbucks charges customers for its offerings. *Incentives* include promotional tools such as loyalty programs, coupons, and temporary price reductions that provide additional benefits for customers. *Communication* consists of the information Starbucks disseminates via advertising, social media, and public relations to inform the public about its offerings. *Distribution* includes company-owned stores and company-licensed retail outlets that deliver Starbucks' offerings to its customers.

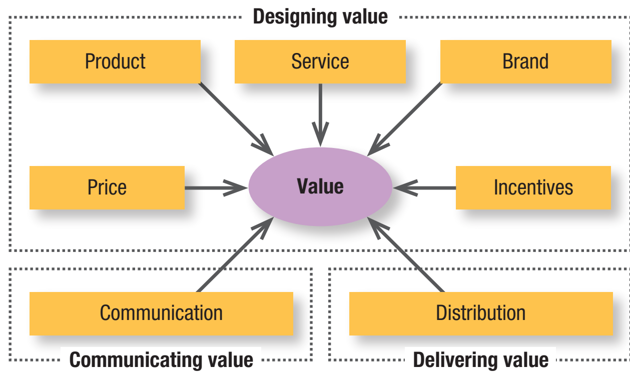
The seven marketing tactics—product, service, brand, price, incentives, communication, and distribution—can be regarded as a *process of designing, communicating, and delivering* customer value. The value-design aspect of the offering comprises the product, service, brand, price, and incentives, while communication and distribution form the information-value and delivery-value aspects of the process (Figure 2.5). Thus, even though the different tactical attributes play distinct roles in the value-creation process, they optimize customer value across all three dimensions.

The value-creation process can be considered from the perspectives of both the company and the customer. The company regards value creation as a process of *designing*, *communicating*, and *delivering* value; however, the customer looks at the value-creation process from a different perspective, viewing it in

FIGURE **2.5**

Marketing Tactics as a Process of Designing, Communicating, and Delivering Customer Value

Source: Alexander Chernev, *Strategic Marketing Management: Theory and Practice* (Chicago, IL: Cerebellum Press, 2019).



terms of the *attractiveness, awareness,* and *availability* of the offering.[20] Attractiveness reflects the benefits and costs that target customers associate with the product, service, brand, price, and incentives aspects of the offering. Awareness highlights the methods through which target customers are informed about the specifics of the offering. Availability consists of the ways in which target customers can acquire the offering.

THE SEVEN Ts AND THE FOUR Ps

The view of marketing tactics as a process of defining the seven key attributes of an offering can be related to the widely popular 4-P framework. Introduced in the 1960s, the 4-P framework identifies four key decisions that managers must make when designing an offering: the features to include in the *product*, the *price* of the product, the best way to *promote* the product, and the retail outlets in which to *place* the product. These four decision areas are represented by the Four Ps: product, price, promotion, and place.

Because it is simple, intuitive, and easy to remember, the 4-P framework enjoys wide popularity. However, because of that very simplicity, the 4-P framework has significantly limited relevance in the contemporary business environment. One of its limitations is that it fails to distinguish between the product and service aspects of the offering, which is a key drawback in today's service-oriented business environment, where a growing number of companies are switching from a product-based to a service-based business model. Another important limitation of the 4-P framework is that it does not regard the *brand* as a separate factor, instead viewing the brand as part of the product. The product and brand are two distinct aspects of the offering, and each can exist independently of the other. In fact, a growing number of companies outsource their product manufacturing so they can focus their efforts on building and managing their brands.

Another area in which the 4-P framework comes up short is in its treatment of the term *promotion*. Promotion is a broad concept that comprises two distinct promotional activities: *incentives,* which include price promotions, coupons, and trade promotions, and *communication*, which encompasses advertising, public relations, social media, and personal selling. Incentives and communication make disparate contributions to the value-creation process: Incentives enhance an offering's value, whereas communication serves to inform customers about the offering but does not necessarily enhance the offering's value. The 4-P framework's use of the term *promotion* to refer to both of these discrete activities can obscure the unique role that each plays in creating market value.

The limitations of the 4-P framework can be avoided by regarding the offering in terms of seven factors—product, service, brand, price, incentives, communication, and distribution—instead of four. The four Ps can be easily mapped onto the seven attributes of the 7-T framework: The first P (product) comprises product, service, and brand; price remains the second P; the third P (promotion) is expanded to incentives and communication; and distribution replaces the fourth P (place). Thus, the 7-T marketing mix represents a more refined version of the 4-P framework, offering a more accurate and actionable approach to designing a company's offering.

CREATING A MARKET VALUE MAP

The two key aspects of a company's business model—strategy and tactics—can be represented as a value map that defines the ways in which a company creates market value. The ultimate purpose of the value map is to facilitate the development of a viable business model that can enable the company to achieve market success. Thus, the market value map can be thought of as a visual representation of the key components of a company's business model and the ways in which they are related to one another.

The market value map mirrors the structure of the business model and contains three key components that define the company's strategy and tactics—*the target market, the value proposition,* and *the market offering*. The target market is, in turn, defined by the Five Cs—customers, collaborators, company, competitors, and context—with customers playing the key role in defining the market. The value proposition then represents the three types of value that the company must create in the market: customer value, collaborator value, and company value. Finally, the offering component of the market value map delineates the seven key attributes—product, service, brand, price, incentives, communication, and distribution—that represent the tactical aspect of a company's business model. The components of the market value map and the key questions defining each component are shown in Figure 2.6.

The value proposition component of the market value map is central to ensuring the viability of the company's business model. The market success of the company's offering is determined by its ability to create value for the three key entities: target customers, the company's collaborators, and the company itself. Because these entities have distinct needs and require different value propositions, the marketing planning process can be better served by developing a separate value map for each entity. Thus, in addition to having a single value map, managers might benefit from developing three value maps: a customer value map, a collaborator value map, and a company value map.

These three value maps depict the distinct aspects of the company's business model that concern the key entities involved in the value-creation process. The *customer value map* captures the ways in which the company's offering will create value for its target customers and outlines the strategic and tactical aspects of the customer-focused aspect of the company's business model. The *collaborator value map* delineates the strategic and tactical aspects of the ways in which the company's offering

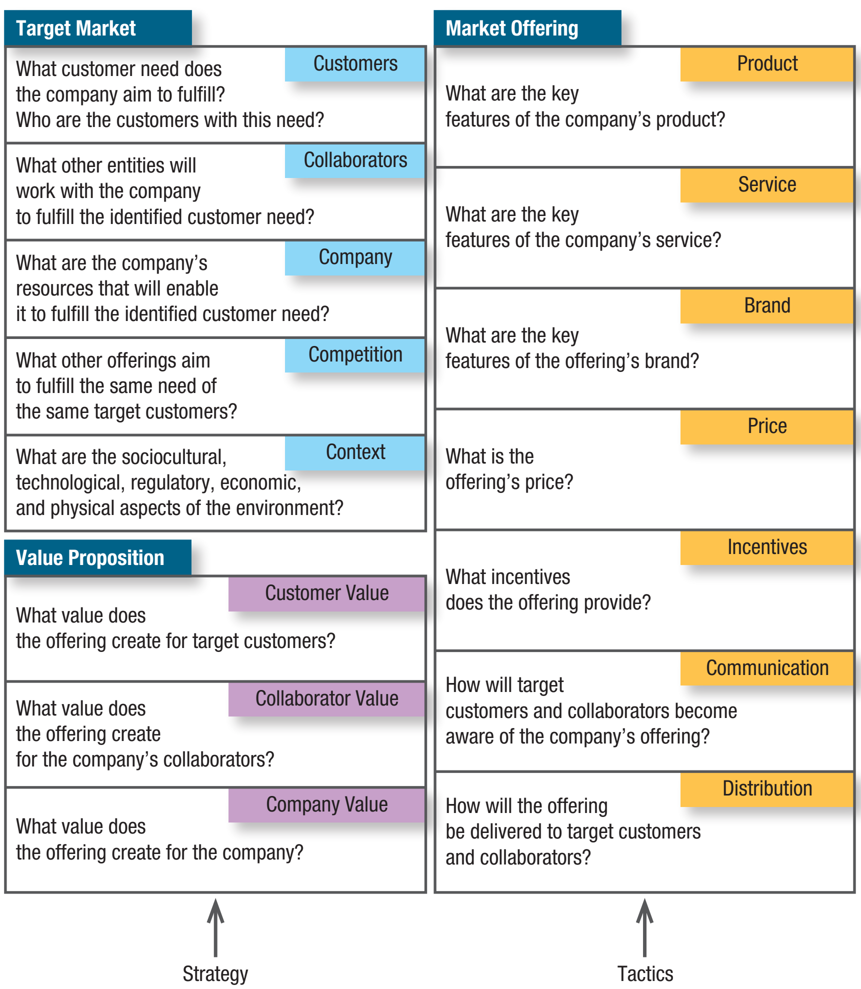


FIGURE **2.6**

The Market Value Map

Source: Alexander Chernev, *Strategic Marketing Management: Theory and Practice* (Chicago, IL: Cerebellum Press, 2019).

will create value for collaborators. Finally, the *company value map* outlines the ways in which the offering will create value for the company's stakeholders. Note that these three value maps are intricately related as they reflect different aspects of the process of creating market value. Only by creating value for target customers, collaborators, and the company can a manager ensure the market success of an offering.

Planning and Managing Market Offerings

A company's future depends on its ability to develop successful market offerings that create superior value for target customers, the company, and its collaborators.[21] Market success typically results from diligent market analysis, planning, and management; rarely is it a lucky accident. Succeeding in the market requires a company to develop a viable business model and an action plan that allows the business model to become a reality. The process of developing such an action plan is encapsulated in the G-STIC framework described in the following sections.

THE G-STIC APPROACH TO ACTION PLANNING

The action plan, which articulates the company's goal and delineates a course of action to reach this goal, is the backbone of marketing planning. Five key activities guide the development of an action plan: These activities include setting a *goal*, developing a *strategy*, designing the *tactics*, defining an *implementation* plan, and identifying a set of *control* metrics to measure the success of the proposed action. The G-STIC (Goal-Strategy-Tactics-Implementation-Control) framework comprises these five activities and acts as the lynchpin of marketing planning and analysis. At the core of the action plan is the business model based on the offering's strategy and tactics.

The individual components of the G-STIC approach to marketing planning and management are as follows:

- The **goal** describes the company's ultimate criterion for success; it specifies the end result that the company plans to achieve. The two components of the goal are its *focus,* which defines the metric (such as net income) used to quantify the intended result of the company's actions, and the performance *benchmarks* that signal movement toward the goal and define the time frame for achieving the goal.
- The **strategy** provides the basis for the company's business model by delineating the company's *target market* and describing the offering's *value proposition* in this market.
- **Tactics** carry out the strategy by defining the key attributes of the company's offering. These seven tactics—*product, service, brand, price, incentives, communication,* and *distribution*—are the tools used to create value in the company's chosen market.
- **Implementation** consists of the processes involved in readying the company's offering for sale. Implementation includes *developing* the offering and *deploying* the offering in the target market.
- **Control** measures the success of the company's activities over time by monitoring the company's *performance* and the changes in the market *environment* in which the company operates.

The key components of the marketing plan and the key factors describing each component are outlined in Figure 2.7 and are examined in more detail in the following sections.

SETTING A GOAL

Defining the goal that the company aims to achieve sets the marketing plan in motion. The goal can be regarded as the beacon that guides all company activities. Two key decisions are involved in setting a goal: identifying the *focus* of the company's actions and specifying the performance *benchmarks* to be achieved. These decisions are discussed in more detail next.

Defining the Goal Focus. The goal's focus defines the desired outcome of the company's activities, an important criterion of a firm's success. Based on their focus, goals can be monetary or strategic.

- **Monetary goals** are based on such outcomes as net income, profit margins, earnings per share, and return on investment. For-profit firms use monetary goals as their primary performance metric.

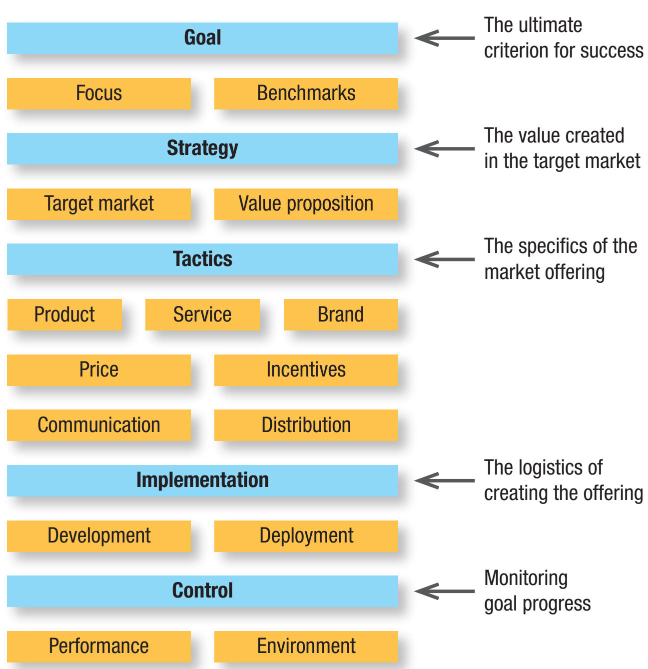


FIGURE **2.7**

The G-STIC Action-Planning Flowchart

Source: Alexander Chernev, *Strategic Marketing Management: Theory and Practice* (Chicago, IL: Cerebellum Press, 2019).

- **Strategic goals** are centered on nonmonetary outcomes that are of strategic importance to the company. Among the most common strategic goals are increasing sales volume, brand awareness, and social welfare, as well as enhancing the corporate culture and facilitating employee recruitment and retention. Nonprofit companies and for-profit companies looking to support items that are bigger revenue producers than the focal offering have strategic goals as their main performance metric. As an example, Amazon might only break even or actually take a loss on some of its Kindle devices and yet view them as a strategically important platform for its retail business.

Companies are increasingly looking beyond sales revenue and profit to consider the legal, ethical, social, and environmental effects of their marketing activities and programs. The concept of a "triple bottom line"—people, planet, and profits—has gained traction among many companies taking stock of the societal impact of their activities.[22] For example, one of Unilever's key initiatives—its Sustainable Living Plan—has three major goals: to improve people's health and well-being, to reduce our environmental impact, and to enhance livelihoods. These goals are underpinned by metrics spanning social, environmental, and economic performance in the company's value chain.[23]

Defining Performance Benchmarks. Quantitative and temporal performance benchmarks work in tandem to provide the measurements that track the progress of the company toward reaching its established goal.

- **Quantitative benchmarks** set out the specific milestones to be achieved as the company moves toward its ultimate goal. These benchmarks quantify the company's focal goal, which might, for example, include increasing market share by 5 percent, or improving retention rates by 15 percent, or growing revenues by 10 percent. Quantitative benchmarks can be stated in relative terms, such as aiming to increase market share by 20 percent, or in absolute terms, such as aspiring to achieve sales of one million units per year.
- **Temporal benchmarks** identify the time frame for achieving a specific quantitative or qualitative benchmark—e.g., revamp the company's website by the end of the first quarter. The timeline set for achieving a goal is a key decision that can affect the type of strategy used to implement the goal, the number of people involved, and even costs. For example, the goal of maximizing next quarter's profits is likely to require a different strategy and tactics than the goal of ensuring long-term profitability.

Implementing the company goal requires that three main objectives be specified: *what* the company aims to achieve (goal focus), *how much* the company wants to achieve (quantitative benchmark), and *when* the company wants to achieve it (temporal benchmark). Thus, a company might have the goal of generating net income (goal focus) of $40 million (quantitative benchmark) in one year (temporal benchmark). Clearly delineating the goal that is to be achieved and establishing realistic quantitative and temporal benchmarks help fine-tune the company's strategy and tactics.

DEVELOPING THE STRATEGY

Because the processes involved in developing a sound marketing strategy were covered in detail previously in this chapter, this section contains only a brief mention of strategy in relation to the G-STIC framework. The strategy denotes the value that the company intends to create in a particular market and includes the company's *target market* and its *value proposition* for this market.

- The **target market** in which the company aims to create value is defined by five factors: *customers* whose needs will be fulfilled by the offering, *competitors* whose offerings aim to fulfill the same needs of the same target customers, *collaborators* that help the company meet the needs of target customers, the *company* managing the offering, and the *context* in which the company operates.
- The **value proposition** defines the benefits and costs of the market offering with which the company plans to meet target customers' needs. The three components of the value proposition are *customer value*, *collaborator value*, and *company value*. The value proposition is often complemented by a *positioning statement* that highlights the key benefit(s) of the company's offering in a competitive context.

DESIGNING THE TACTICS

The development of marketing tactics was also discussed in greater detail earlier in this chapter, so here we briefly mention tactics as they relate to the G-STIC framework. Tactics, or the *marketing mix*, are a logical sequence of components of the company's strategy that make this strategy a market reality. They define the actual offering that the company introduces in the target market through seven attributes—*product*, *service*, *brand*, *price*, *incentives*, *communication*, and *distribution*—that work together to create the market value embodied by the company's offering.

Implementation is a direct outcropping of the company's strategy and tactics. After the strategy is translated into a set of tactics, it is converted into an implementation plan that spells out the activities that will give life to the business model. Implementation consists of three key components: *development of the company resources*, *development of the offering*, and *commercial deployment of the offering*.

- **Resource development** entails securing the competencies and assets needed to implement the company's offering. Resource development may involve developing manufacturing, service, and technology infrastructure; securing reliable *suppliers*; recruiting, training, and retaining skilled employees; creating *products*, *services*, and *brands* that serve as a platform for the new offering; acquiring the skills necessary for development, production, and management of the offering; developing the communication and distribution channels that inform target customers about the company's offering and make it available to them; and securing the necessary capital to make resource development possible.
- **Development of the offering** transforms the company's strategy and tactics into an actual good that will be offered to target customers. This involves overseeing the flow of information, materials, labor, and money that will create the offering the company brings to the market. Offering development includes designing the *product* (procurement, inbound logistics, and production) and specifying the service (installation, support, and repair activities); building the brand; setting retail and wholesale prices and incentives (coupons, rebates, and price discounts); designing the manner of communication (message, media, and creative execution); and procuring distribution channels (warehousing, order fulfillment, and transportation).
- **Commercial deployment** is the logical outcome of offering development and establishes the company's offering in the market. Deployment includes setting the timing of the offering's market launch, as well as determining the resources involved and the scale of the market launch. Initial deployment can be selective, focusing on specific segments of the target market to allow the company to assess market reaction to the offering. Alternatively, deployment can involve a large-scale rollout across all target markets. Selective commercial deployment calls for the marketing plan to define the primary market in which the offering will first be introduced and to outline the key activities associated with the offering's initial launch. The marketing plan then spells out the timing and the processes involved in expanding the offering beyond the primary market, allowing it to reach all target customers and achieve its full market potential.

IDENTIFYING CONTROLS

Because the business environment undergoes constant change, companies must be agile in order to consistently realign their actions with current market realities. Controls steer a company in the direction of its ultimate goal by ensuring that company actions are in line with its strategy and tactics. Furthermore, controls make marketing operations more effective and cost efficient, and they make it possible to better assess the return on marketing investment by helping companies determine whether they are on the right track to achieve their goals.

Controls have one primary function: to inform the company whether it should stay with its current course of action, modify the underlying strategy and tactics, or completely abandon its current course of action and develop an offering that better reflects the realities of the market. Controls have two key components: *evaluating the company's performance* and *monitoring the market environment*.

Evaluating Performance. Evaluating a company's performance means using benchmarks to track the company's progress toward its goal. For example, evaluating a company's monetary performance might consist of comparing the desired and actual sales revenue outcomes or assessing desired and actual net income to identify operational inefficiencies. Here are some common performance measures:[24]

- Sales metrics such as sales volume, sales growth, and market share
- Customer readiness-to-buy metrics such as awareness, preference, purchase intent, trial rate, and repurchase rate
- Customer value metrics such as customer satisfaction, customer acquisition costs, customer churn, customer lifetime value, customer profitability, and return per customer
- Distribution metrics such as number of outlets, average stock volume, out-of-stock frequency, share of shelf space, and average sales per channel
- Communication metrics such as brand awareness, gross rating points (GRP), and response rate

Evaluating the company's performance can reveal either adequate progress toward its goal or a performance gap between the desired and the actual performance. If the progress is deemed adequate, the company can stay the course with its current action plan. However, when performance evaluation reveals a discrepancy and shows a gap between company performance and the benchmarks set, the company's action plan must be reevaluated and modified to put the company back on a path that will enable it to achieve its goal.

Monitoring the Environment. Monitoring the environment allows early identification of changes in the market context that have implications for the company. It enables the company to take advantage of opportunities such as favorable government regulations, a decrease in competition, or an increase in consumer demand. In addition, it alerts a company of impending threats such as unfavorable government regulations, an increase in competition, or a decline in customer demand.

When a company is vigilant about identifying opportunities and threats, it can take corrective measures to modify the current action plan in a timely manner, taking advantage of available opportunities and counteracting impending threats. Because keeping a close eye on the market environment helps coordinate company actions with market conditions, it enhances business agility, which is a prerequisite for sustainability of the company's value-creation model.

The importance of controls in marketing management and, specifically, the significance of monitoring the environment in which the company operates are perhaps best exemplified by the profound market changes stemming from advancements in technology. Companies like Amazon, Google, Netflix, Salesforce, Uber, and Express Scripts were among the first to recognize the benefits of the various technology-driven innovations and realign their business models to take advantage of the impending market changes. Thus, they were able to gain ground on companies that were oblivious to the changes in the environment around them.

Developing a Marketing Plan

The marketing plan directs and coordinates all company marketing efforts.[25] It is a tangible outcome of a company's strategic planning process, outlining the company's ultimate goal and the means by which it aims to achieve this goal. In order to serve its ultimate purpose of guiding a company's actions, the marketing plan must effectively communicate the company's goal and its proposed course of action to relevant stakeholders—company employees, collaborators, shareholders, and investors.

The scope of the marketing plan is narrower than that of the business plan because marketing covers only one aspect of a company's business activities. A company's business plan addresses not only the marketing aspect of the company's activities but also the financial, operations, human resources, and technological aspects of the company. The marketing plan may briefly touch on other aspects of the business plan, but only if they are relevant to the marketing strategy and tactics.

The marketing plan serves three main functions: It describes the company's goal and proposed course of action, informs the relevant stakeholders about the goal and action plan, and persuades the relevant decision makers of the viability of the goal and the proposed course of action.

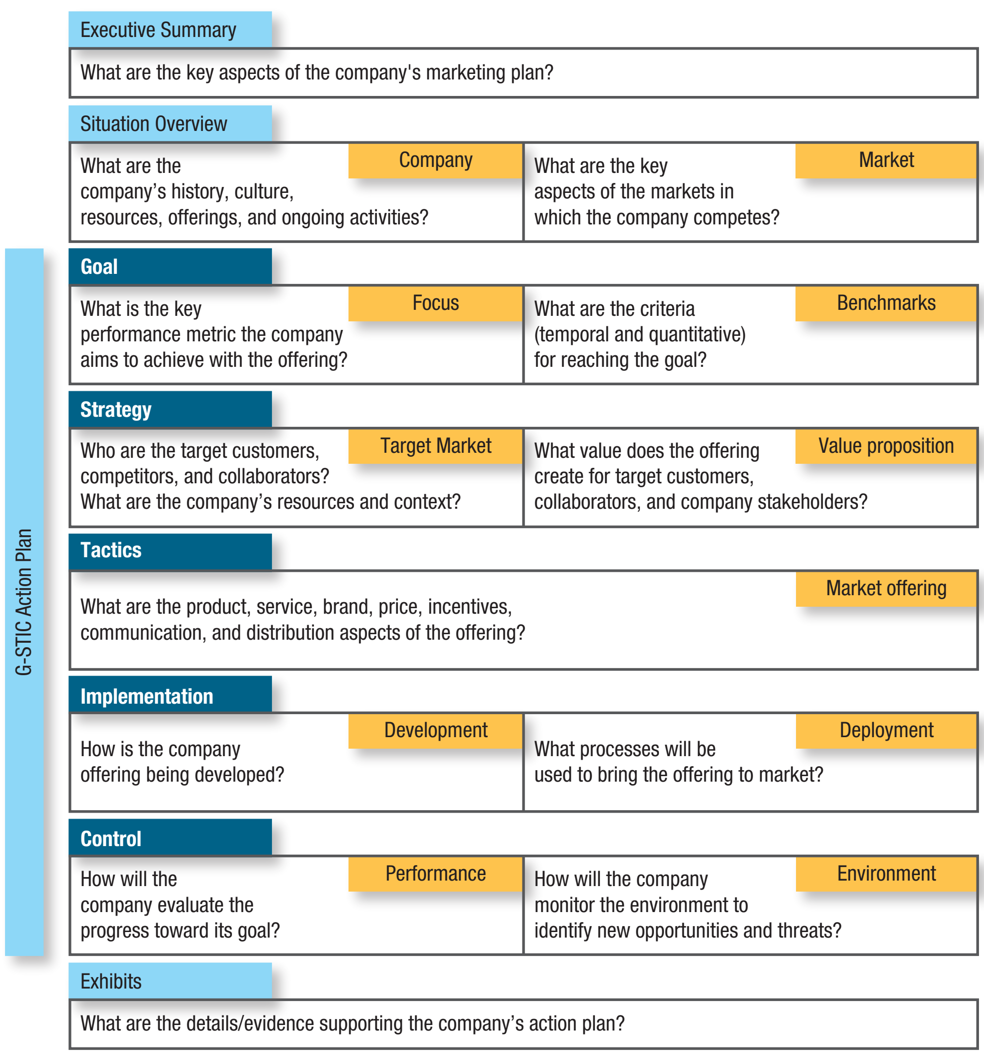
Marketing plans typically start with an executive summary followed by a situation overview. The plan then describes the company's goal, the value-creation strategy it has devised, the tactical aspects of the offering, and its plan to implement the offering's tactics. This is followed by delineation of a set of control measures that will monitor the company's progress toward its goals, and the plan concludes with a roster of relevant exhibits. Figure 2.8 illustrates the key components of the marketing plan and the main decisions underlying its individual components.

- The **executive summary** can be regarded as the "elevator pitch" for the marketing plan. It presents a streamlined and succinct overview of the company's goal and the proposed course of action. Typically, the executive summary consists of one or two pages that outline the pertinent issues faced by the company—an opportunity, a threat, or a performance gap—and the proposed action plan.

FIGURE **2.8**

The Organization of the Marketing Plan

Source: Alexander Chernev, *The Marketing Plan Handbook,* 6th ed. (Chicago, IL: Cerebellum Press, 2020).



- The **situation overview** provides an overall evaluation of the environment in which the company operates, as well as of the markets in which the company competes and/or will compete. Thus, the situation overview is composed of two sections: the *company overview* that outlines the company's history, culture, resources (competencies, assets, and offerings, and the *market overview* that outlines the markets in which the company currently manages offerings and those that the company could potentially target for future offerings.
- The **G-STIC** section forms the core of the marketing plan. It includes (1) the *goal* the company aims to achieve; (2) the *strategy*, which defines the offering's target market and value proposition; (3) the *tactics* defining the product, service, brand, price, incentives, communication, and distribution aspects of the offering; (4) the *implementation*, which lays out the aspects of executing an offering's strategy and tactics; and (5) *control* procedures that evaluate the performance of the company's offering and analyze the environment in which the company operates.
- **Exhibits** streamline the marketing plan by keeping tables, charts, and appendices in a distinct section to separate the less important and/or more technical aspects of the plan from the essential information.

The ultimate goal of the marketing plan is to guide a company's actions. Therefore, the core of the marketing plan is contained in the key elements of the G-STIC framework that delineate the company's goal and the course of action it proposes. The other elements of the marketing plan—the executive summary, situation overview, and exhibits—elucidate the logic underlying the plan and provide specifics of the proposed course of action.

In addition to the overall marketing plan, companies often develop more specialized plans. These can include a product development plan, service management plan, brand management plan, sales plan, promotion plan, and communication plan—which, in turn, can breed even more specific plans. The communication plan, for example, often encompasses activity-specific plans such as an advertising plan, public relations plan, and social media plan. A company might also create specialized marketing plans targeting specific customer segments. For example, McDonald's develops separate marketing plans targeting young children and their parents, teenagers, and business customers. The ultimate success of each of these highly specific individual plans depends on the degree to which it is aligned with the company's overall marketing plan.

Modifying the Marketing Plan

Marketing plans are not static; they need updating in order to remain relevant.[26] The same is true of marketing management, an iterative process that executes the company's strategy and tactics while monitoring the outcome and modifying the management process as needed. Continual monitoring and adjustment allow the company to assess its progress toward the set goals while tweaking its plan to reflect the changes in the marketplace. The dynamic nature of marketing management is inherent in the G-STIC framework's control section, which is crafted explicitly to provide the company with feedback on the effectiveness of its actions and on relevant changes taking place in the target market.

UPDATING THE MARKETING PLAN

The marketing plan requires updating when the company's current course of action is altered. This may be based on the need to revise the current goal; rethink the existing strategy because new target markets have been identified or the offering's overall value proposition for customers, collaborators, and the company needs modification; change the tactics by augmenting or improving the product, service, brand, price, incentives, communication, and distribution aspects of the offering; streamline the implementation; and/or develop alternative controls.

A common reason for updating a company's marketing plan is in response to changes in the target market. Market modifications can take place in one or more of the Five Cs: (1) changes in the demographics, buying power, needs, and preferences of target customers; (2) changes in the competitive environment, such as a new competitor, price cuts, an aggressive advertising campaign, or expanded distribution; (3) changes among company collaborators, such as a threat of backward integration from distributors, increased trade margins, or retailer consolidation; (4) changes in the company, such as the loss of strategic assets and competencies; and (5) changes in the market context that can include economic recession, development of a new technology, and new or revised regulations.

Some examples of updated marketing plans: In response to the shifting needs and preferences of their *customers*, McDonald's and other fast-food restaurants have redefined their offerings to include healthier options. In response to increasing *competition* from online retailers, many traditional brick-and-mortar retailers—including Walmart, Macy's, Barnes & Noble, and Best Buy—have redefined their business models and become multichannel retailers. Similarly, many manufacturers have redefined their product lines to include lower-cost offerings in response to the widespread adoption of private labels by *collaborators'* (retailers). Developing or acquiring *company* assets, such as patents and proprietary technologies, can signal the need to redefine the underlying business models in virtually any industry. And changes in the market context, such as the ubiquitous spread of mobile communication, e-commerce, and social media, have disrupted existing value-creation processes, making it necessary for companies to redefine their business models.

The ways in which a company creates market value must keep up with the changes in the market in which it operates if a company is to succeed at achieving its goal. Inattention to changing environments has rendered a number of formerly successful business models obsolete. Companies that do not adapt their business models and market plans to the new market conditions tend to be supplanted by companies with superior business models that are better equipped to create market value. Ultimately, the key to market success is not only to conceive a viable market plan but also to modify this plan as often as needed to adapt to market changes.

CONDUCTING A MARKETING AUDIT

A marketing audit is a comprehensive examination of the marketing aspect of an offering or a company's marketing department. It is intended to identify overlooked opportunities and problems areas and to recommend a plan of action to improve the company's performance. An effective marketing audit should be *comprehensive, systematic, unbiased,* and *periodic*.

- **Comprehensive.** A marketing audit should cover all major marketing activities of a business, not just a few trouble spots (these are covered by functional audits, which focus on a particular aspect of marketing activity, such as pricing, communication, or distribution). Although functional audits can be useful, they may be unable to accurately discern the cause-and-effect relationships that drive the company's performance. For example, excessive turnover in the sales force could result from inferior company products, inappropriate pricing, and limited distribution, rather than from poor training or inadequate compensation. A comprehensive marketing audit can locate the real root of problems and can suggest solutions to effectively address these problems.
- **Systematic.** The marketing audit should examine the operating environment of the organization in an orderly manner—from the company's marketing objectives and strategies to its specific activities. To achieve this systematic approach, the marketing audit should follow the G-STIC guidelines to analyze the soundness of the company's goals, strategy, tactics, implementation, and controls. This enables the marketing audit to identify problems and opportunities at each step of the design and implementation of the marketing plan and to integrate them into a meaningful action plan.
- **Unbiased.** It may be more beneficial to have marketing audits conducted by an external entity. Intra-company audits conducted by managers who rate their own operations tend to be overly subjective, making it easier to miss problems that would be readily apparent to a more impartial observer. Even when managers try their best to be impartial, internal assessments may still be biased because they reflect the views, theories, and motives of the managers. Third-party auditors can offer the needed objectivity, cross-category and cross-industry experience, and undivided time and attention to ensure a thorough look into marketing activities.
- **Periodic.** Many firms consider marketing audits only when they encounter a problem, which often presents itself in terms of the company's inability to reach its goals. Waiting until an audit is necessary has two main drawbacks. First, focusing solely on existing problems precludes early identification of potential issues. This means problems are detected only when they have already had a negative impact large enough to be noticed. Second, and more important, concentrating only on problems can cause the company to overlook promising opportunities that could represent fruitful areas for growth. The bottom line: A periodic marketing audit can benefit companies in good health as well as those in trouble.

Because the marketing audit resembles the organization of the marketing plan, it follows the G-STIC framework and comprises five key components: *goal audit, strategy audit, tactics audit,* *implementation audit*, and *controls audit*. The key difference between the marketing audit and the marketing plan is that the marketing plan faces forward toward the future and plots a course of action that the company should undertake; the marketing audit consolidates the company's past, present, and future by examining the company's current and past performance to determine the right course to ensure its future.

marketing INSIGHT
A Template for Writing a Marketing Plan

The development of a marketing plan can be greatly facilitated by following a logical structure that enables the reader to understand the company's goals, the specific activities that the company intends to undertake, and the rationale for the proposed course of action. Such an approach to organizing the marketing plan is outlined in Figure 2.7, and a template for writing a marketing plan following this organization is outlined below.[27]

Executive Summary

Provide a brief overview of the situation, the company's goal, and the proposed course of action.

Situation Overview

Provide an overview of the situation—current/potential customers, collaborators, competitors, and context—in which the company operates, and identify relevant opportunities and threats.

Goal

Identify the company's primary goal and its market-specific objectives.

- *Primary Goal.* Identify the company's ultimate goal by defining its focus and key performance benchmarks.
- *Market Objectives.* Identify the relevant customer, collaborator, company, competitive, and context objectives that will facilitate achieving the primary goal. Define the focus and key benchmarks for each objective.

Strategy: Target Market

Identify the target market in which the company will launch its new offering.

- *Customers.* Define the need(s) to be fulfilled by the offering, and identify the profile of customers with such needs.
- *Collaborators.* Identify the key collaborators (suppliers, channel members, and communication partners) and their strategic goals.
- *Company.* Define the business unit responsible for the offering, the relevant personnel, and key stakeholders. Outline the company's core competencies and strategic assets, its current product line, and its market position.
- *Competitors.* Identify the competitive offerings that provide similar benefits to the same target customers and collaborators.
- *Context.* Evaluate the relevant economic, technological, sociocultural, regulatory, and physical contexts.

Strategy: Value Proposition

Define the offering's value proposition for target customers, collaborators, and the company.

- *Customer value proposition.* Define the offering's value proposition, positioning strategy, and positioning statement for target customers.
- *Collaborator value proposition.* Define the offering's value proposition, positioning strategy, and positioning statement for collaborators.
- *Company value proposition.* Outline the offering's value proposition, positioning strategy, and positioning statement for company stakeholders and personnel.

Tactics

Outline the key attributes of the market offering.

- *Product.* Define relevant product attributes.
- *Service.* Identify relevant service attributes.
- *Brand.* Determine the key brand attributes.
- *Price.* Identify the price(s) at which the offering is provided to customers and collaborators.
- *Incentives.* Define the incentives offered to customers, collaborators, and company employees.
- *Communication.* Identify the manner in which the key aspects of the offering are communicated to target customers, collaborators, and company employees and stakeholders.
- *Distribution.* Describe the manner in which the offering is delivered to target customers and collaborators.

Implementation

Define the specifics of implementing the company's offering.

- *Resource development.* Identify the key resources needed to implement the marketing plan, and

(*continued*)

marketing insight *(continued)*

outline a process for developing/acquiring deficient resources.

- *Offering development.* Outline the processes for developing the market offering.
- *Commercial deployment.* Delineate the process for bringing the offering to target customers.

Control

Identify the metrics used to assess the offering's performance and to monitor the environment in which the company operates.

- *Performance evaluation.* Define the criteria for evaluating the offering's performance and progress toward the set goals.
- *Analysis of the environment.* Identify metrics for evaluating the environment in which the company operates, and outline the processes for modifying the plan to accommodate changes in the environment.

Exhibits

Provide additional information—market research data, financial analyses, offering specifics, and implementation details—to support specific aspects of the marketing plan.

summary

1. Market-oriented strategic planning is the managerial process of developing and maintaining a viable fit between the organization's objectives, skills, and resources and its changing market opportunities. The aim of strategic planning is to shape the company's businesses and products so that they yield target profits and growth. Strategic planning takes place on three levels: corporate, business unit, and market offering.
2. The corporate strategy establishes the framework within which the divisions and business units prepare their strategic plans. Setting a corporate strategy means defining the corporate mission, establishing strategic business units (SBUs), assigning resources to each, and assessing growth opportunities.
3. Strategic planning for individual business units includes defining their mission, analyzing external opportunities and threats, analyzing internal strengths and weaknesses, and crafting market offerings that will enable the company to achieve its mission.
4. Marketing planning and management can occur on two levels. They can focus on analyzing, planning, and managing the company (or a specific business unit within the company), or they can focus on analyzing, planning, and managing one or more of the company's offerings.
5. From the point of view of designing a particular offering, marketing planning is a process defined by five main steps: setting a *goal*, developing the *strategy*, designing the *tactics*, defining the *implementation* plan, and identifying the *control* metrics to measure progress toward the set goal. These five steps constitute the G-STIC framework, which is the backbone of market planning.
6. The *goal* identifies the ultimate criterion for success that guides all company marketing activities. Setting a goal involves identifying the *focus* of the company's actions and defining the specific quantitative and temporal performance *benchmarks* to be achieved. A company's ultimate goal is translated into a series of specific market objectives that stipulate the market changes that must occur in order for the company to achieve its ultimate goal.
7. The *strategy* delineates the value created by the company in a particular market; it is defined by the company's target market and its value proposition for this market. The *target market* defines the offering's target customers, collaborators, company, competitors, and context (the Five Cs). The *value proposition* specifies the value that an offering aims to create for the relevant market entities—target customers, the company, and its collaborators.
8. The *tactics* outline a set of specific activities employed to execute a given strategy. The tactics define the key attributes of the company's offering: product, service, brand, price, incentives, communication, and distribution. These seven tactics are the means that managers have at their disposal to carry out a company's strategy.
9. The *implementation* plan lays out the logistics of executing the company's strategy and tactics. This involves developing the resources necessary to implement the company's offering, developing the actual offering that will be introduced in the market, and deploying the offering in the target market.
10. The *control* delineates the criteria for evaluating the company's goal progress and articulates a process for analyzing the changes in the environment in which the company operates, in order to align the action plan with market realities.
11. The *marketing plan* can be formalized as a written document that communicates the proposed course of action to relevant entities: company employees, stakeholders, and collaborators. The core of a company's marketing plan

is the G-STIC framework, which is complemented by an executive summary, a situation overview, and a set of relevant exhibits. To be effective, the marketing plan must be actionable, relevant, clear, and succinct. Once developed, marketing plans must be updated to remain relevant.

12. To ensure that its marketing plan is adequately implemented, a company must periodically conduct a *marketing audit* to identify overlooked opportunities and problem areas and to recommend a plan of action to improve the company's marketing performance.

marketing SPOTLIGHT

Source: Valeriya Zankovych/Alamy Stock Photo

Google

From smart phones to maps to e-mail to search, today Google is everywhere. This ubiquity makes it easy to forget that the company was founded in 1998 by two Stanford University PhD students, Larry Page and Sergey Brin. They named the company Google as a play on "googol," the term for the number 1 followed by a hundred zeroes. The name expressed the duo's ambition to help users sift through the nearly limitless amounts of information on the internet. Page and Brin further elucidated their goals in Google's corporate mission statement: "To organize the world's information and make it universally accessible and useful." To this end, they started by focusing their energy on the nascent field of internet search. The result of their effort was the PageRank algorithm, which counted the number and quality of links to a given website to rate its relevance and importance. This algorithm proved to be far superior to those used at the time by competing search engines such as Yahoo, and Google quickly became the dominant company in Web search.

Google's revenues revolved around advertising early on. It realized that the information from searches on its website could be used to deliver highly targeted advertisements to consumers and took advantage of this opportunity in 2000 by launching AdWords. This service allowed companies to pay Google to have their text advertisements show up alongside search results to queries containing specific words. Hundreds of thousands of companies grew to rely on AdWords by buying these "search ads." Google also moved into displaying advertisements beside Web content. In 2003 the company launched AdSense, which scanned the text on a website and automatically displayed targeted advertisements relevant to its contents. Website publishers could earn money every time their visitors clicked on these ads. Prior to this innovation, most websites were unable to automatically display highly specific ads to match their content.

Google also provided free tools to better serve advertisers and content providers. In 2005, the company launched a suite of tools called Google Analytics that allowed content providers to see custom reports on the way people behaved on their websites. Among other details, these reports showed how many people visited the website, how they found it, how long they spent there, and what ads they responded to while browsing content. Google also integrated tools into its AdWords platform to help advertisers better understand the effectiveness of their marketing campaigns. With these tools, advertisers on Google's platform could constantly monitor and optimize their advertisements. Google called this approach "marketing asset management," implying that advertisements should be managed like assets in a portfolio depending on market conditions. Companies could use the real-time data that Google collected to adjust their campaigns to market conditions, instead of following marketing plans developed months in advance.

Google came to dominate search and online advertising thanks to its ability to collect and process enormous amounts of data from the internet and make them useful. It used this capability to provide consumers and businesses alike with the information they needed. Despite its early successes, Google never stopped innovating. It continued to expend significant energy to develop and refine algorithms that could be used to squeeze more information out of the internet and keep Google ahead of the competition. In addition to refining existing products, Google developed a series of free online services for consumers. By applying its computer science and design skills to new problems, Google helped users get things done more efficiently and effectively. In many cases, rather than coming up with novel products, Google applied its expertise to existing categories to create a superior product offering. By entering a slew of new categories, Google gave advertisers access to consumers in an increasing number of contexts. Furthermore, the company gained access to increasing amounts of information on consumers that it could further monetize in the future.

(*continued*)

Through continuous internal development and a series of acquisitions, Google rapidly expanded its product offerings. In 2004, Google launched Gmail, an advertising-supported e-mail service that by 2016 numbered over a billion active users every month. In 2005, the company launched Google Maps to compete with existing online mapping services. The company repeatedly impressed consumers as it upgraded its map service with features such as Street View, which gave users 360-degree views of map locations. In 2006, Google branched into streaming video when it acquired YouTube and grew it into a service that generated billions of dollars in advertising revenues. That same year the company also launched Google Docs, Sheets, and Slides—free online alternatives to elements of the Microsoft Office suite. Google continues to expand its online product offerings with everything from translation tools to calendars to specialized searches.

As Google developed into an internet giant, it realized that to continue growing, it would need to expand beyond products used only on computers. Google identified mobile technology as one of the ways forward and developed the open source Android mobile operating system. Whereas companies like Apple created proprietary operating systems for their hardware, Google gave its operating system away free to handset makers. As part of its strategy, Google partnered with companies like Samsung to improve and expand Android. These partners were free to modify Android and use its branding if they stuck to guidelines laid out by Google. In 2008, one year after Apple introduced the iPhone, Google launched Android on handsets from a variety of companies. Today Android is used on over 80 percent of smart phones globally. All Android users have access to Google Play, the official app store for the operating system. Google gets a cut of all sales. In addition to developing Android, Google became the leader in the rapidly expanding mobile advertising space, garnering nearly a third of 2017 U.S. mobile ad revenues in a market worth over $50 billion.

Google has also broadened its reach into other growing markets like hardware and cloud computing. With cloud computing, Google is competing with the likes of Amazon and Microsoft to provide remote storage capacity, data processing, and programming tools for enterprises and start-ups alike. Companies like HSBC have signed on with Google as it has rushed to embed itself in this rapidly growing sector. Google has also introduced a variety of hardware products, including the 2016 release of its high-end Pixel phones, designed to compete directly with the iPhone. In the same year it debuted Google Home, a smart speaker that not only connects to smart devices but also responds to voice commands and interacts with home automation systems.

Google has moved into many categories over its short lifetime, but all of its products are drawn together by the company's desire to harness the power of data to create better customer experiences. In an effort to continue innovating, Google has invested heavily in machine learning and artificial intelligence. These rapidly developing technologies offer the company a way to automatically sift through ever-increasing amounts of data to extract useful information. Google sees the further development of AI capabilities as pivotal to its future growth. From translation software to Web search to smart-phone cameras, artificial intelligence has come to underpin an increasing number of the company's product offerings and innovation.

Today Google has grown into a multinational company with almost $100 billion in revenue, almost 90 percent of which is from advertising. So far, though, Google's dependence on advertising revenue hasn't hurt growth. Google continues to dominate the online advertising market, capturing large share of the increased spending on online ads during the previous year. In addition, its annual revenue continued to soar by double digits. In the future, Google aims to create a more varied range of income streams from its investments in sectors like cloud computing, hardware, and artificial intelligence.[28]

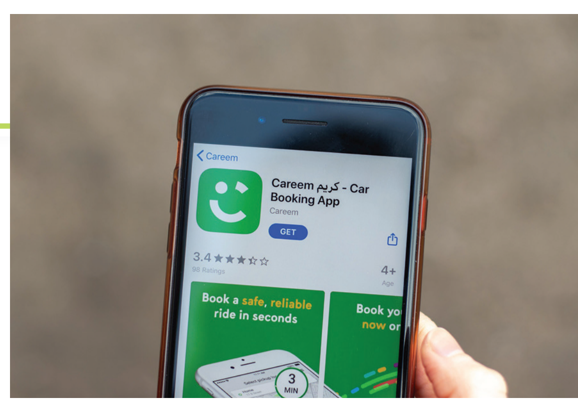
Questions

1. What is Google's core business? What are the pros and cons of managing a diverse portfolio of businesses?
2. With a portfolio as diverse as Google's, what are the company's core brand values?
3. What's next for Google? Where should the company focus its resources?

marketing SPOTLIGHT

Careem

Uber, the global leader in ride sharing, entered the Middle East market in 2013, but it failed to replicate the success it had enjoyed in so many other markets around the world. It had started its operations in the region a year behind Careem, the Middle East's pioneering—and still leading—ride-sharing app. Careem was the clear favorite as a home-grown brand,



Source: Postmodern Studio/Alamy Stock Photo which gave it an edge over Uber, but it also had a unique product-service offering: its competitive advantage came not only because it was an early mover in a nascent industry but also because of its strategic planning, based on crucial insights into the local markets.

Launched in 2012 by former McKinsey consultants Magnus Olsson and Mudassir Sheikha in the city of Dubai, Careem operates in 14 countries in the Middle East, North Africa, and Pakistan (MENAP) region, with a presence in 100 cities and 30 million registered users. Like so many start-ups in the region, Careem's origins lay in its founders discovering an opportunity based on personal experience; Olsson and Sheikha had traveled extensively around the world and felt that the Middle Easts' regional transportation sector needed a simpler, easier, and more reliable way of getting around.

Careem provided value to customers across the different markets by adapting to local demands and conditions. Even the brand name was chosen for the Middle East region; it sounds similar to the Arabic word "kareem," which means kind and generous, so it resonated well with its intended consumers right out of the gate. Drawing from an in-depth understanding of the needs of its diverse customer base, Careem offered easy and simplified solutions to the peculiar needs and requirements of the markets. For example, where other sharing-economy start-ups relied on their apps, Careem introduced dedicated call centers to book rides as many consumers still preferred to dial in for ride booking. As many locations in the region lack formal addresses, it developed its own location data, which worked better than Google Maps. It continued to accept cash payments, which remained a widely preferred mode of payment among many customers. It also introduced Careem Ameera, a dedicated ladies-only service with female drivers.

The Careem Rewards Program and the Careem Package Program are loyalty schemes through which customers can earn points with each ride and order. The Careem Rewards Program has a tier-like format; customers who complete 15 rides or orders within a month are upgraded to a "gold" status that offers more rewards. The Careem Package Program offers bundles of rides or kilometers at a reduced price, which allows for big savings and more value for frequent commuters. Points earned from these programs can be redeemed to earn credit and free rides or to receive offers on food orders; alternatively, customers can choose to spend the points to help a refugee or to feed a child for a day. The rewards system requires no registration or signing up; the points are added automatically every time a customer completes a ride.

Within a short period, Careem expanded the services on its platform to include mass transportation, delivery, and payments, essentially becoming the region's everyday super-app. Careem Express is the brand's logistics service for businesses that need to deliver their products to customers. It offers super-fast delivery (within 45 to 60 minutes), route optimization through advanced mapping and dispatching technology, real-time tracking, on-demand/same-day delivery, variable pricing and volume-based discounts, and 24/7 support.

In online transactions, Careem Pay is the cash-free alternative for Careem's services (rides, packages, and food delivery). This service offers a secured payment system where users can track their spending through a transaction history. Customers can also send credit to family and friends and split ride fares, or they can even surprise loved ones with gifts. Rewards points can be converted into Careem Pay credit.

In 2020, after failing to achieve market dominance, Uber finally decided to acquire Careem. Part of the deal was that both the companies would maintain their independent services, apps, and brands. The acquisition would allow Uber to leverage its global image by focusing on expats and tourists in the Middle East while Careem continues to leverage its appeal among the local populations. With access to local knowledge and Careem's digital infrastructure, Uber hopes to try out new ideas across both brand platforms and by building upon the unique strengths of each company. As a separate entity within Uber, Careem can focus more on innovation and strengthen its position as the region's super-app, adding more services and finding more ways to cater to its customers.[29]

Questions

1. How does Careem create value for its customers?
2. Discuss the relative strengths of Careem and Uber. Do you think Careem's services and brand should be integrated with Uber in the Middle East region?