

CH 3 Study Guide

The marketing strategy planning process requires narrowing down to the best opportunities and developing a strategy that gives the firm a competitive advantage and provides target customers with superior customer value.

The direct market environment includes customers, the company, and competitors.

1. Economic Environment
2. Technological Environment
3. Political and Legal Environment
4. Cultural and Social Environment

A mission statement sets out the organization's basic purpose for being. Should focus on a few key goals. Supply guidelines.

Objectives: ex. The objective of introducing new products is reasonable. However, if the costs of developing and introducing the new products cannot be recouped within one year, the return on investment objective is impossible.

Breakthrough opportunities - or at least some competitive advantage - come from making use of these strengths while avoiding direct competition with firms having similar strengths. To find its strengths or weaknesses, a firm must evaluate its functional areas (production, research and engineering, marketing, general management, and finance) as well as its present products and markets.

Lack of financial strength is often a barrier to entry into an otherwise attractive market. In many businesses, the cost of producing and selling each unit decreases as the quantity increase. New - or smaller - firms sometimes have the advantage of flexibility.

Marketing resources can create opportunities for a firm. A new idea or process may be protected by a patent. A patent owner has a 20-year monopoly to develop and use its new product, process, or material. Promotion and price resources must be considered too.

The **competitive environment** affects the number and types of competitors the marketing manager faces and how they may behave. **Pure competition or oligopoly** - competitors offer very similar marketing mixes, and customers see the alternatives as close substitutes. Managers just compete with lower prices and profit margins shrink.

Marketing managers can't just adopt the same "good" marketing strategy being used by other firms. That leads to head-on competition and a downward spiral in prices and profits. Target marketers try to offer a marketing mix better suited to target customers' needs than competitors' offerings.

In **monopolistic competition**, a number of different firms offer marketing mixes that at least some customers see as different.

Sustainable competitive advantage - a marketing mix that customers see as better than a competitor's mix and cannot be quickly or easily copied.

The best way for a marketing manager to avoid head-on competition is to find new or better ways to satisfy customers' needs and provide value.

Competitor analysis – an organized approach for evaluating the strengths and weaknesses of current or potential competitors' marketing strategies.

Competitive rivals – closest competitors

Competitor Matrix – an organized table that compares strengths and weaknesses of a company with those of its competitive rivals. A marketing manager should actively seek info about current and potential competitors.

Economic environment refers to the macro-economic factors, including national income, economic growth, and inflation, that affect patterns of consumer and business spending. Changes quite rapidly. Changes in the economy are often accompanied by the changes in the interest rate – the charge for borrowing money. Interest rates usually increase during periods of inflation. **Exchange rate** – how much one country's money is worth in another country's money.

Technology is the application of science to convert an economy's resources to output. Creates opportunities for new products and new processes. Cookies allow the company to track what the customer does on the web.

Political – nationalism – an emphasis on a country's interests before everything else. Nationalistic feelings can reduce sales – or even block all marketing activity – in some international markets. Important dimensions of the political environment are likely to be similar among nations that have banded together to have common regional economic boundaries. **The North American Free Trade Agreement** lays out a plan to reshape the rules of trade among the US, Canada and Mexico.

Legal – Antimonopoly laws – encourage competition. Businesses and individual managers are subject to both criminal and civil laws. Protect consumers – a seller has to tell the truth (if asked a direct question), meet contracts, and stand behind the firm's product (to some reasonable extent). **Pure Food and Drug Act** – bans the shipment of unsanitary and poisonous products and requires much testing of drugs. **The Consumer Product Safety Act (1972)** – set up the Consumer Product Safety Commission. State and local laws matter.

Cultural and social environment affects how and why people live and behave as they do – which affects customer buying behavior and eventually the economic, political, and legal environments. **Gross domestic product** – the total market value of all goods and services provided in a country's economy in a year by both residents and nonresidents of that country. **Gross national income** – measure that is similar to GDP but GNI doesn't include income earned by foreigners who own resources in that nation. GDP includes foreign income. **GNI per capita** (per person) is useful figure because it gives some idea of the income level of people in a country.

Baby Boomers – 1946 – 1964. Powerful, large group. Tourism, health care & financial services.

Gen X – 1965 – 1977. Smaller in number than baby boomers. Better educated.

Gen Y – 1978 – 1994. Largest. Housing, appliances, furniture and electronics – recession delayed this thought.

Gen Z – Born since 1995. Digital natives. Ethnically diverse. Realistic views of the world. Prefer brands that suggest long-term value, safety and security.

Product-market screening criteria – quantitative components summarize the firm's objectives: sales, profit, and return on investment targets. Qualitative components summarize what kinds of businesses the firm wants to be in, what businesses it wants to exclude, what weaknesses it should avoid, and what resources (strengths) and trends it should build on. Shows what the firm wants to accomplish. Can help bring focus to opportunities that fit well with trends in the external market environment. **Sustainability** – the idea that it's important to meet present needs without compromising the ability of future generations to meet their own needs.