

Glencoe

Marketing Essentials



Mc
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Hill
Education

Chapter 2

the marketing plan

Section 2.1 Marketing Planning

Section 2.2 Market Segmentation

Marketing Planning



Before You Read

CONNECT Suppose you had to market yourself as a student. What are your strengths?

OBJECTIVES

- **Learn** how to conduct a SWOT analysis.
- **List** the three key areas of an internal company analysis.
- **Identify** the factors in a PEST analysis.
- **Explain** the basic elements of a marketing plan.

THE MAIN IDEA

A company looks at itself and the world around it to create a marketing plan for reaching goals.

VOCABULARY

- SWOT analysis
- PEST analysis
- marketing plan
- executive summary
- situation analysis
- marketing strategy
- sales forecasts
- performance standard

Marketing Planning

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Marketing Plan

1. Executive Summary	
2. Situation Analysis	
3. Objectives	
4. Marketing Strategies	
5. Implementation	
6. Evaluation and Control	

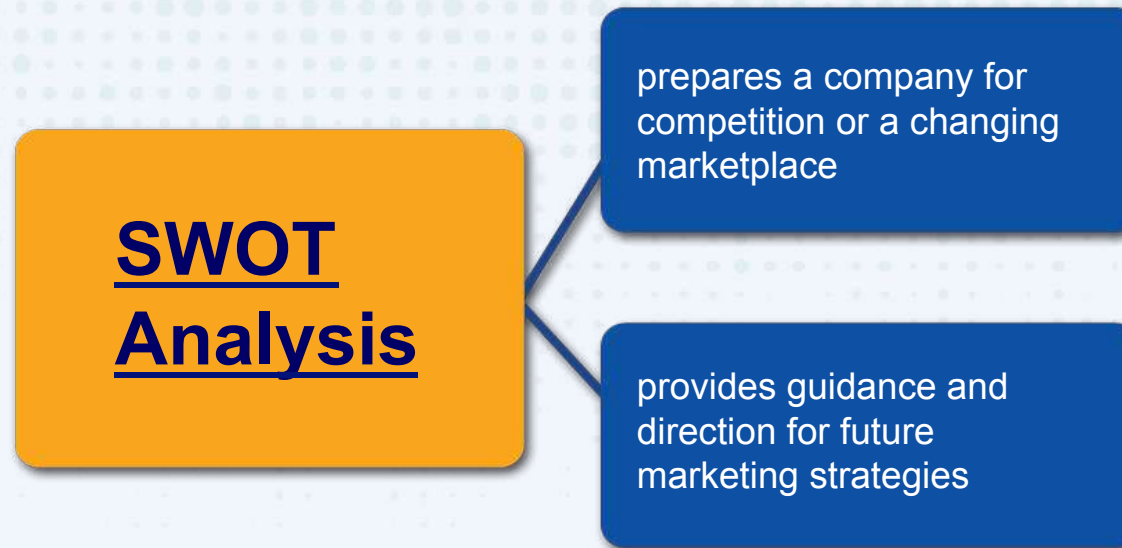
Marketing Planning

Graphic Organizer

Marketing Plan

1. Executive Summary	Provides an overview of plan and explains costs involved in implementing the plan.
2. Situation Analysis	Provides an examination of factors and trends that affect marketing strategies.
3. Objectives	Describes what the plan will accomplish.
4. Marketing Strategies	Identifies target markets and marketing mix choices focused on those markets.
5. Implementation	Outlines how implementation will be accomplished and provides sales forecasts.
6. Evaluation and Control	Explains how objectives will be measured and who will evaluate.

SWOT Analysis



SWOT analysis

An assessment of a company's strengths and weaknesses and the opportunities and threats that surround it; SWOT: strengths, weaknesses, opportunities, threats.

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SWOT Analysis

SWOT	INTERNAL		EXTERNAL	
	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
	<ul style="list-style-type: none">▪ large market share▪ reputation for quality▪ creative product developers	<ul style="list-style-type: none">▪ low profit▪ few employees	<ul style="list-style-type: none">▪ competitors going out of business▪ strong economy▪ few direct competitors	<ul style="list-style-type: none">▪ legal issues▪ decreasing amounts of natural resources

Internal Strengths and Weaknesses

The three C's of internal analysis

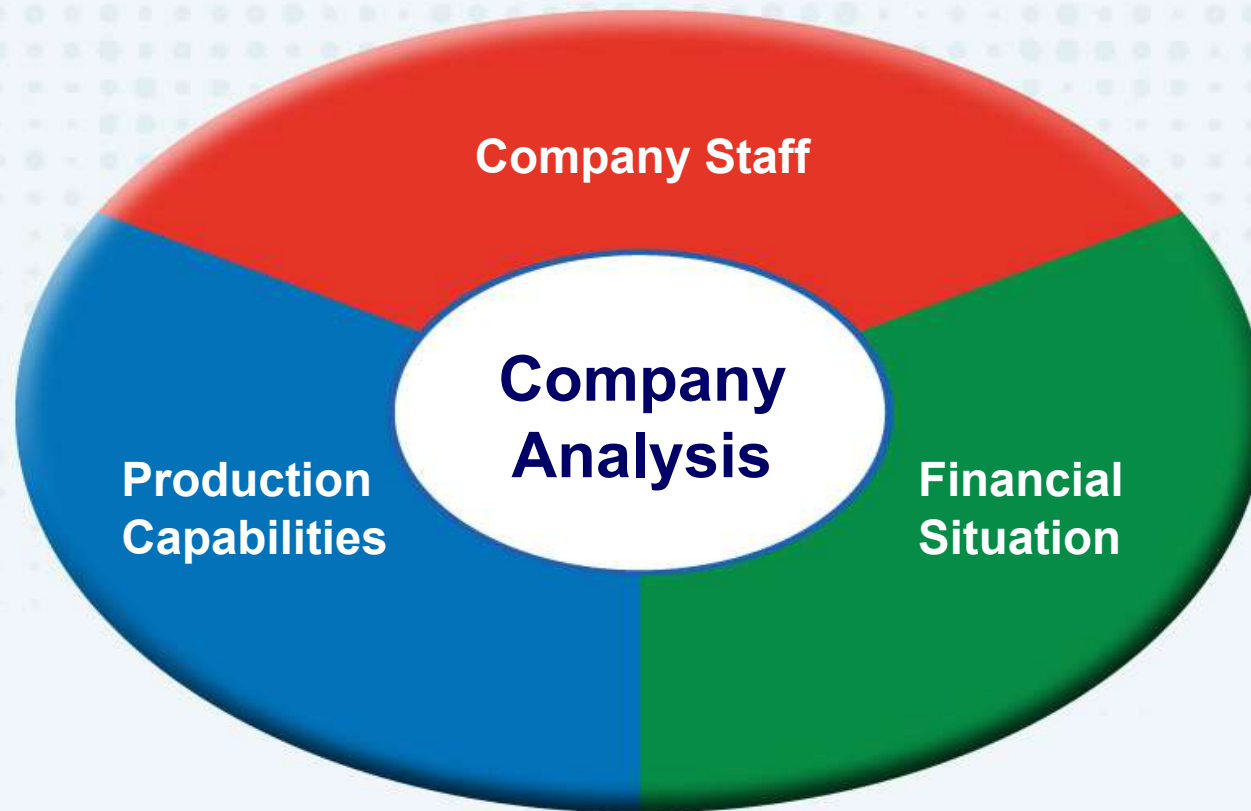
Company

Customers

Competition

Strengths and weaknesses are internal factors that affect a business's operation. See page 31 for sample Company Analysis questions. Staff, Financial, Production

Internal Strengths and Weaknesses



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Internal Strengths and Weaknesses

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MARKETING MIX (FOUR Ps)

P	PRODUCT	P	PLACE
P	PRICE	P	PROMOTION

P PRODUCT

Choosing what products to make and sell.



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Internal Strengths and Weaknesses

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MARKETING MIX (FOUR Ps)

P	PRODUCT	P	PLACE
P	PRICE	P	PROMOTION

P PRODUCT

Choosing what products to make and sell.

- ▶ Product development
- ▶ Product design
- ▶ Product features
- ▶ Product improvements

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Internal Strengths and Weaknesses

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MARKETING MIX (FOUR Ps)

P	PRODUCT	P	PLACE
P	PRICE	P	PROMOTION

P PRICE

What is exchanged for the product?



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Internal Strengths and Weaknesses

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MARKETING MIX (FOUR Ps)

P	PRODUCT	P	PLACE
P	PRICE	P	PROMOTION

P PRICE

What is exchanged for the product?

- ▶ What are the customers willing to pay?
- ▶ Consumer prices versus reseller price.
- ▶ What does the competition charge?

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Internal Strengths and Weaknesses

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MARKETING MIX (FOUR Ps)

P	PRODUCT	P	PLACE
P	PRICE	P	PROMOTION

P PLACE

The means of getting the product into the consumers' hands.



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Internal Strengths and Weaknesses

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MARKETING MIX (FOUR Ps)

P	PRODUCT	P	PLACE
P	PRICE	P	PROMOTION

P PLACE

The means of getting the product into the consumers' hands.

- ▶ Which geographic areas?
- ▶ Which channels of distribution?
- ▶ Sold directly or through intermediaries?

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Internal Strengths and Weaknesses

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MARKETING MIX (FOUR Ps)

P	PRODUCT	P	PLACE
P	PRICE	P	PROMOTION

P PROMOTION

How customers will be told about a company's products.



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Internal Strengths and Weaknesses

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MARKETING MIX (FOUR Ps)

P	PRODUCT	P	PLACE
P	PRICE	P	PROMOTION

P PROMOTION

How customers will be told about a company's products.

- ▶ Advertising, personal selling, sales promotions, and publicity.
- ▶ The message and the media selected.

Internal Strengths and Weaknesses

What do customer surveys and customer interviews reveal?

Who are the customers?

How do groups of customers differ from one another?

What, when, where, and how much do they buy?

How do customers rate the company on quality, service, and value?

Is your customer base increasing or decreasing? Why?

Database Technology-Catalog companies use databases to analyze buying patterns. Companies with this technology have a major advantage over competitors. Structure price, promotion and product selection. Monitor customers with surveys.

Internal Strengths and Weaknesses

Questions that help a company analyze its internal competitive position:

What is the company's market share?

What advantages does the company have over its competitors?

What core competencies does the company possess?

Are competitors taking business away? Why?

External factors-Losing market share is weakness and a larger market share than a competitor is a strength. **Need to know what competitors are doing at all times.**

Notice change in competitor's financial situation.

Ex: Starbucks became largest coffee company in the world – but relied too much on U.S. sales. When the economy went down, consumers wanted a cheaper option.

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Internal Strengths and Weaknesses

SWOT

INTERNAL		EXTERNAL	
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ul style="list-style-type: none">▪ large market share▪ reputation for quality▪ creative product developers	<ul style="list-style-type: none">▪ low profit▪ few employees	<ul style="list-style-type: none">▪ competitors going out of business▪ strong economy▪ few direct competitors	<ul style="list-style-type: none">▪ legal issues▪ decreasing amounts of natural resources

**Losing market share would be a external weakness.
Gaining market share over a competitor would be an external strength.**

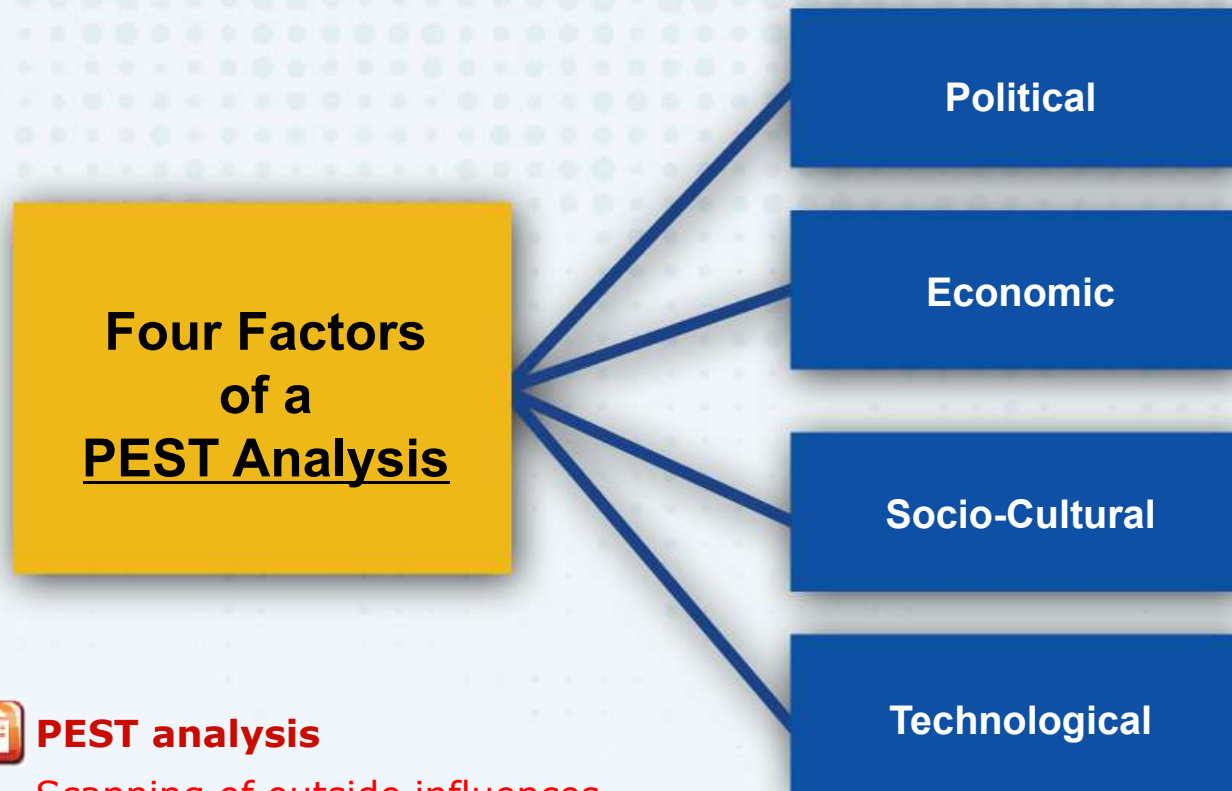
Need to know what competitors are doing at all times.

Notice change in competitor's financial situation.

Ex: Starbucks became larges coffee company in the world – but relied too much on U.S. sales. When the economy went down, consumers wanted a cheaper option.

A SWOT analysis allows a company to react and make changes to the marketing mix.

PEST Analysis



PEST analysis

Scanning of outside influences on an organization.

PEST Analysis

Political Issues

Government affects business operations

Economic Issues

- Recession
- Unemployment
- Currency Rates
- Import Pricing
- Trade Restrictions

Socio-Cultural Factors

Changes in attitudes, lifestyles, and opinions provide opportunities and threats

Technology

Companies must embrace technology and innovate to stay competitive

Political – government involved in business. -laws & regulations, structure

1. Global regulations in foreign countries
2. Do Not Call registry-no telemarketers
3. Illegal music downloads from the internet

Economic– recessions, unemployment, currency rates, import pricing, trade restrictions.

When the economy is good, invest in new products and buildings and expand.

A recession would change that

Economic Factors include:

1. **Unemployment**-when unemployment goes down, consumers may spend more and companies can grow.
2. **Currency Rates**-Changes in the exchange rates of foreign currency may make products cheaper or more expensive in that country.
3. **Import Pricing-Selling** imported products at a very low price is a threat to all businesses in that industry.
4. **Trade Restriction-lowering** or raising tariffs on imported goods might be a threat or an opportunity.

Socio-cultural Factors – changes in attitudes, lifestyle, opinions, income, education, etc.

-Diversity & Health (two big factors that have changed)

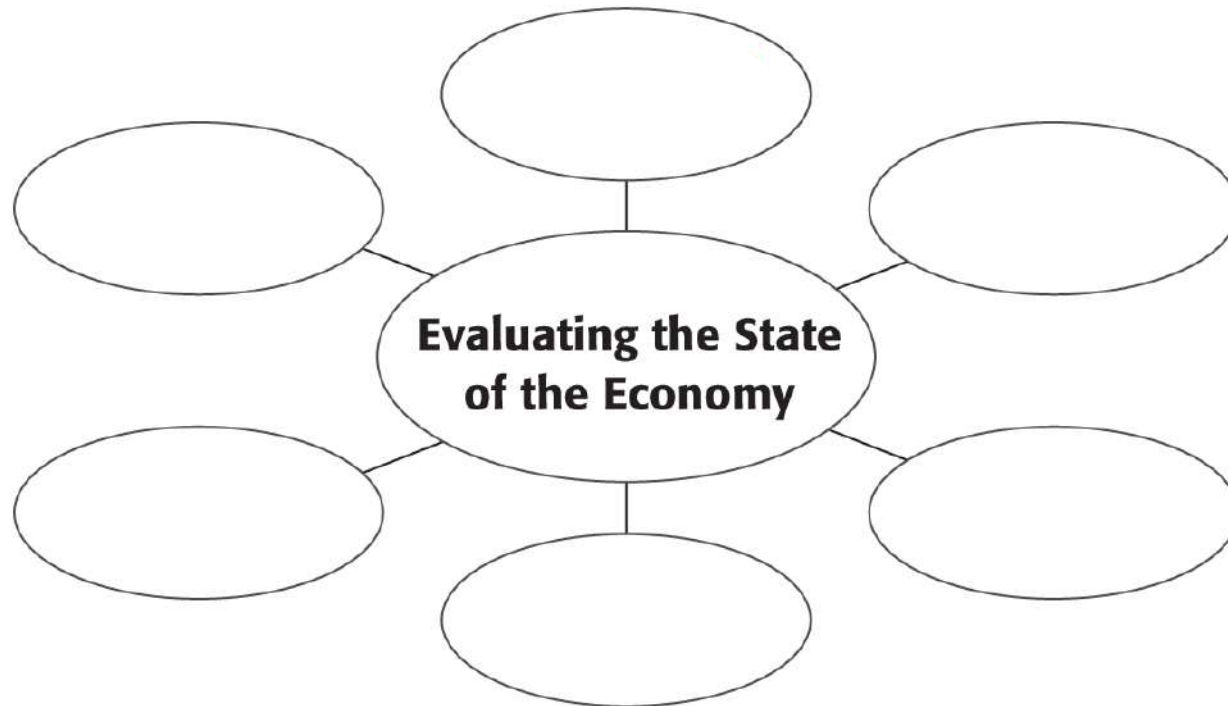
Technology – changing technology can hurt a business (Newspapers and digital photography)

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PEST Analysis

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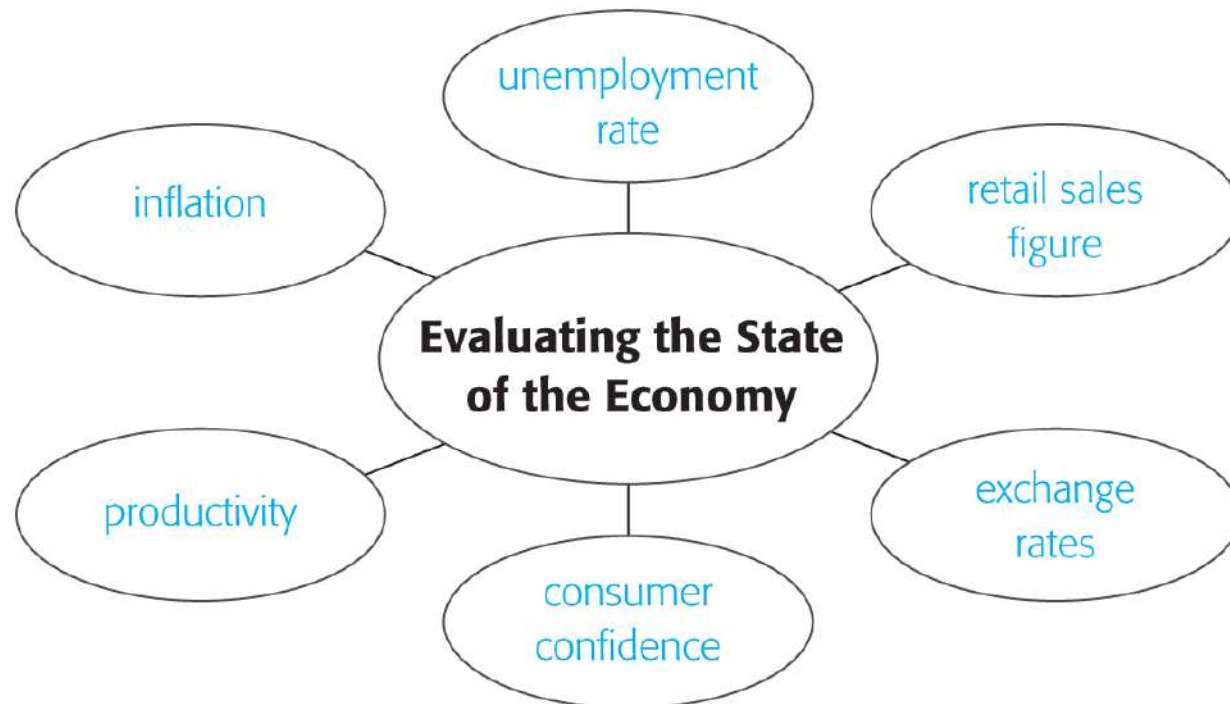
Economic Factors



PEST Analysis

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Economic Factors



Writing a Marketing Plan

Marketers create a marketing plan to communicate aspects such as:

Analysis and Research

Goals

Objectives

Strategies



marketing Plan

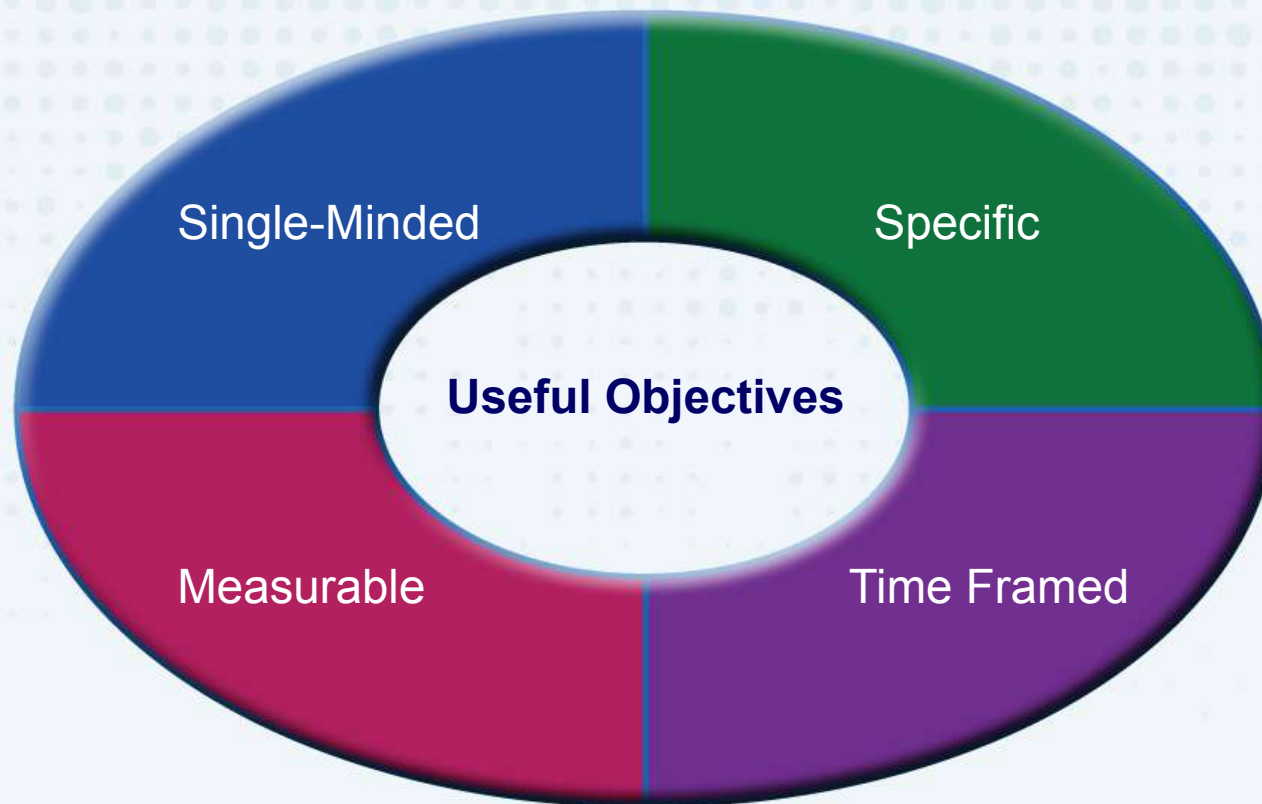
A formal written document that directs a company's activities for a specific period of time.

Writing a Marketing Plan



Marketing Planning

Writing a Marketing Plan



Marketing Planning

Writing a Marketing Plan

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Marketing Plan Objectives

Objective	
Single-minded	
Specific	
Realistic	
Measurable	
Time framed	

Marketing Planning

Writing a Marketing Plan

Graphic Organizer

Marketing Plan Objectives

Objective	To increase sales of bottled water at airport kiosks by 10% by the end of this year.
Single-minded	This objective has only one topic.
Specific	This objective is specific to bottled water sold at airport kiosks.
Realistic	This objective is realistic because the airport has the resources necessary to achieve the goal.
Measurable	This objective identifies the percentage increase required, making it measurable.
Time framed	This objective has specific end date by which the objective must be achieved.

Marketing Planning

Writing a Marketing Plan



Writing a Marketing Plan

Implementation

Schedule of activities

Job assignments

Sales forecasts

Budgets

Details of each activity

Who is responsible for each activity

A marketing strategy identifies target markets and sets marketing mix choices that focus on those markets.



sales forecasts

The projection of probable, future sales in units or dollars.

Writing a Marketing Plan

Performance standards
help assess

Marketing Objectives

Financial Objectives

Marketing Mix Strategies



performance standard

An expectation for performance that reflects the plan's objectives.

Marketing Audit-The marketing process is ongoing. Plan, implement, and control. Did we meet the objective? Make adjustments. Evaluate.

Marketing Planning

Writing a Marketing Plan

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An Effective Marketing Strategy

Identifies _____

Sets _____ that focus on target markets.

Takes the customer's _____ into account

Takes the objectives of the _____ into account.

Focuses on the key points of difference: the _____

Marketing Planning

Writing a Marketing Plan

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An Effective Marketing Strategy

Identifies target markets

Sets marketing mix choices that focus on target markets.

Takes the customer's needs and wants into account

Takes the objectives of the marketing plan into account.

Focuses on the key points of difference: the competitive advantage

Marketing Planning



After You Read

Section 2.1

1. **Explain** the four aspects of a SWOT analysis and tell how it fits into a marketing plan.

Four aspects of a SWOT analysis:

- internal strengths
- weaknesses
- external opportunities
- threats

The results of a SWOT analysis are reported in the situational analysis of a marketing plan.

Marketing Planning



After You Read

Section 2.1

2. List the four areas that are investigated in PEST analysis and explain why the knowledge gained can be valuable to a company.

External threats and opportunities include

- competition
- environmental scan of political issues
- economic factors
- socio-cultural factors
- technological changes

An accurate analysis of those factors helps a company prepare for threats such as competition or a changing marketplace.

Marketing Planning



After You Read

Section 2.1

3. Describe how the marketing mix relates to the implementation of a marketing plan.

The marketing process keeps going through three phases:

- planning
- implementation
- control

The marketing audit at the end of the process evaluates a company's marketing objectives, strategies, budgets, organization, and performance. It identifies problem areas in marketing operations. A marketing audit is done on a formal basis once a year and on an informal basis continuously.

Market Segmentation



Before You Read

CONNECT Think of all the ways a marketer might describe you as a consumer. Begin with your age and gender, then get more specific about your shopping and requirements.

Market Segmentation

OBJECTIVES

- **Explain** the concept of market segmentation.
- **Analyze** a target market.
- **Differentiate** between mass marketing and market segmentation.

THE MAIN IDEA

The key to marketing is to know your customer or target market. Market segmentation helps identify the target market.

VOCABULARY

- market segmentation
- demographics
- disposable income
- discretionary income
- geographics
- psychographics
- mass marketing

Market Segmentation

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Market Segmentation

Methods of Segmentation	Reasons for Use
Demographics	
Geographics	
Psychographics	
Behavioral Characteristics	

Market Segmentation

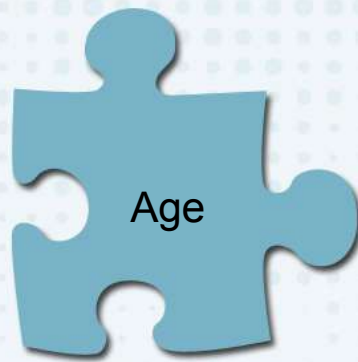
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Market Segmentation

Methods of Segmentation	Reasons for Use
Demographics	People with different personal characteristics have different needs and interests.
Geographics	People's needs vary depending on where they live.
Psychographics	Lifestyle has an impact on how money is spent.
Behavioral Characteristics	Behavioral characteristics influence shopping patterns.

Market Segmentation

Identifying and Analyzing Markets



Market Segmentation

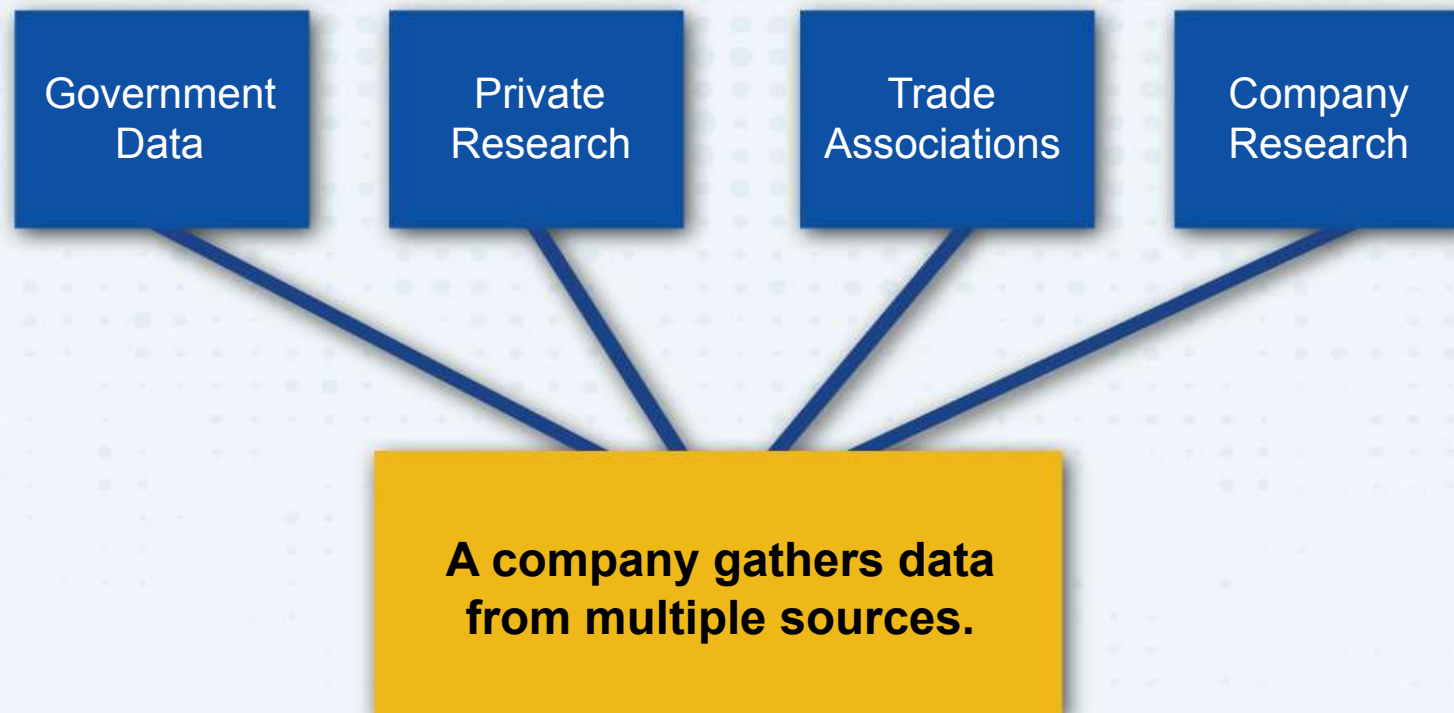


market segmentation

The process of classifying people who form a given market into even smaller groups.

Market Segmentation

Identifying and Analyzing Markets



Market Segmentation

Types of Segmentation

Demographic

Age
Gender
Income
Marital status
Ethnic background

Geographic

Local
State
Regional
National
Global

Psychographic

Attitudes
Opinions
Interests
Activities
Personality
Values

Behavioral

Shopping
Patterns

Decision-
making process



demographic

Statistics that describe a population in terms of personal characteristics such as age, gender, income, marital status, and ethnic background.



psychographic

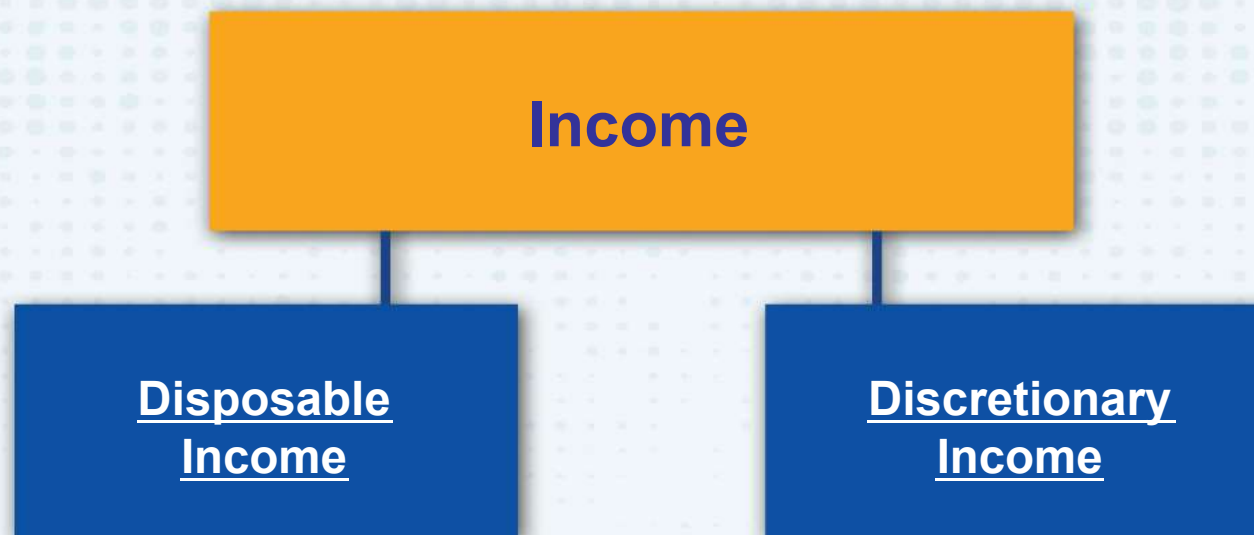
Grouping people with similar attitudes, interests, and opinions, as well as lifestyles and shared values.

Types of Segmentation

Labels Used to Segment by Generation



Types of Segmentation



disposable Income

Money left after taking out taxes.

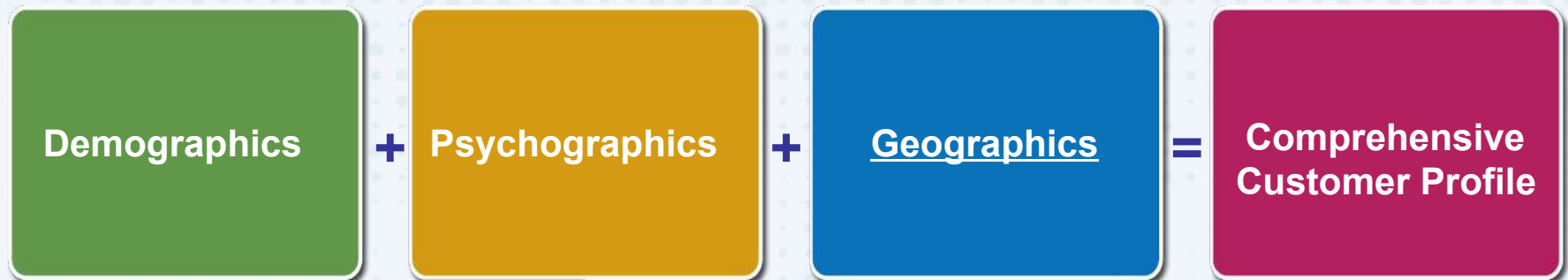


discretionary income

Money left after paying for basic living necessities such as food, shelter, and clothing.

Market Segmentation

Types of Segmentation



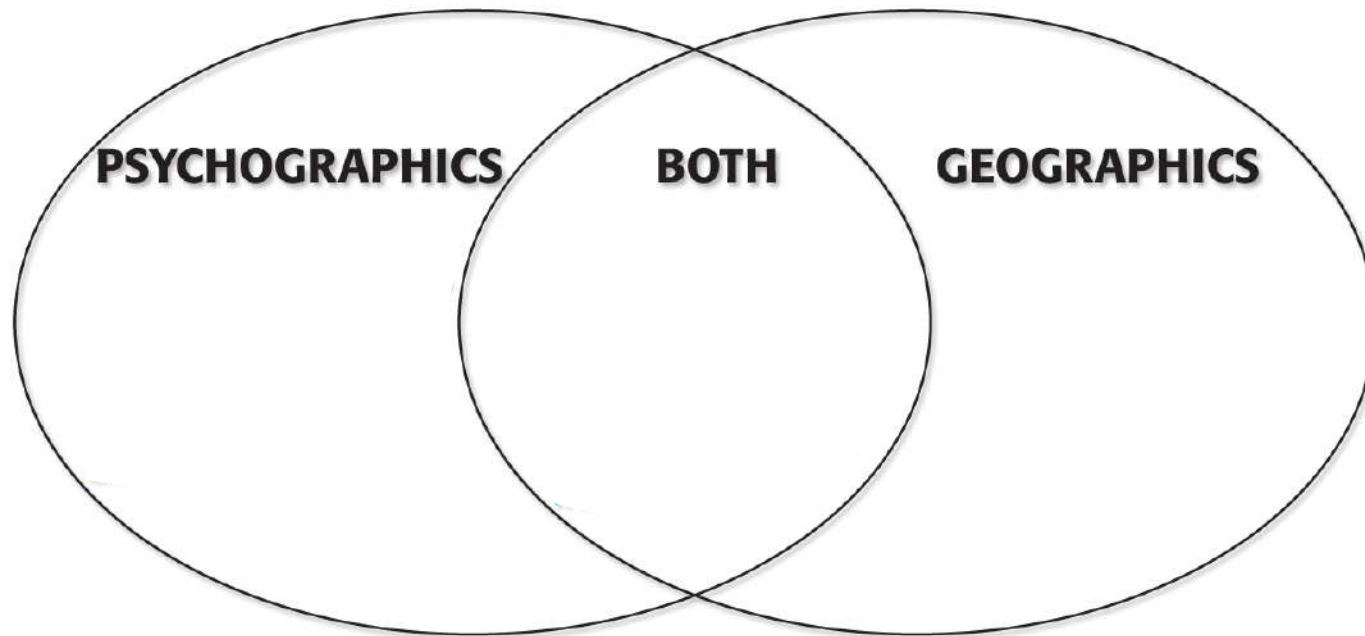
geographics

Segmentation of the market based on where people live.

Market Segmentation

Types of Segmentation

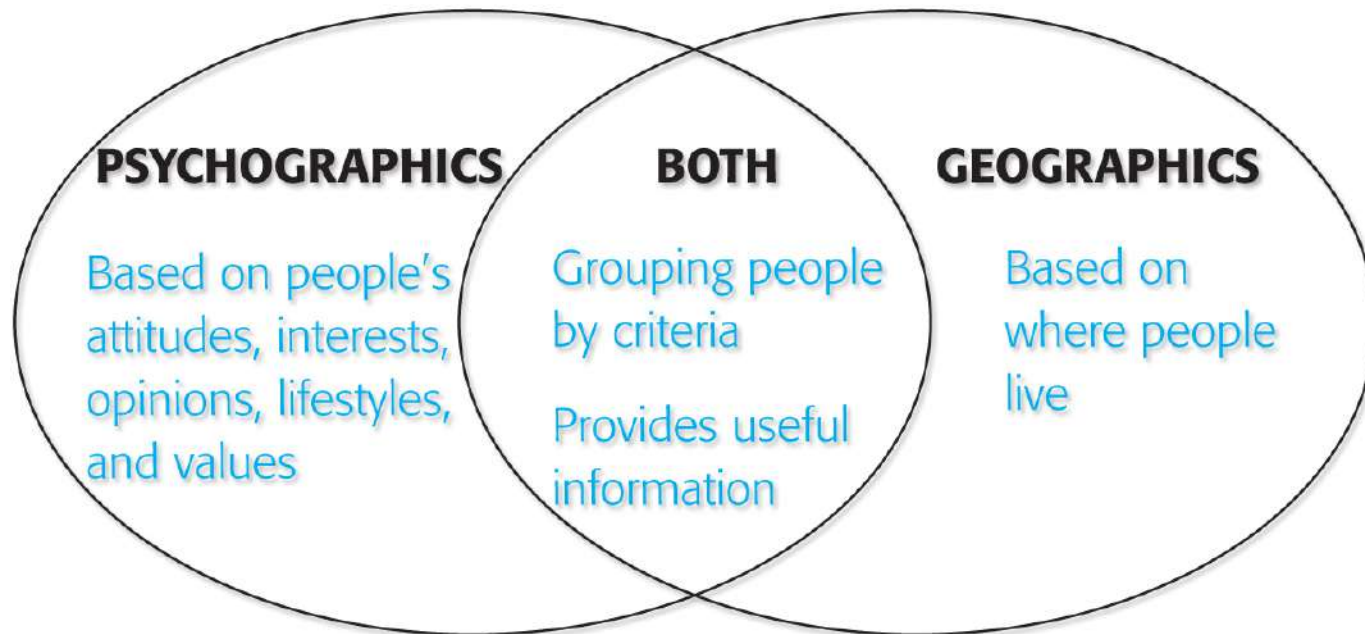
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Market Segmentation

Types of Segmentation

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Types of Segmentation

Changing Times

+

Personal
Experiences

=

Attitudes and
Opinions

Market Segmentation

Types of Segmentation

80/20

80 percent of a
company's sales...

are generated by 20 percent
of its loyal customers

Mass Marketing Vs. Segmentation

Mass Marketing

Advantages

- Economics of scale
- Simplified marketing plan

Disadvantage

- Competitors can identify unmet needs and wants and then steal customers



mass marketing

Using a single marketing strategy to reach all customers.

Market Segmentation

Mass Marketing Vs. Segmentation

Niche Marketing

Advantages

- Extremely precise
- Increased chance for success

Disadvantage

- Cost
 - Research
 - Production
 - Packaging
 - Advertising

Market Segmentation



After You Read

Section 2.2

1. **Explain** how much segmentation can help a company increase its market share.

Market segmentation allows a company to more accurately target potential customers, thereby taking customers away from competitors who may not have done as good a job of meeting the needs of the targeted market segment.

Market Segmentation



After You Read

Section 2.2

2. **Define** the four factors that are used to describe a target market.

Four factors used to describe a target market are demographics, geographics, psychographics, and behavioral characteristics.

Market Segmentation



After You Read

Section 2.2

3. **List** the advantages and disadvantages of niche marketing.

An advantage of niche marketing is that it narrows and defines a market with extreme precision, thereby increasing the chances of success. A disadvantage is that niche marketing is expensive. Because the market is relatively small, niche marketing does not result in the economies of scale that can be obtained in mass marketing. Research is required to identify target markets and develop different marketing strategies.

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End of
Chapter 2
the marketing plan

Section 2.1
Marketing Planning

Section 2.2
Market Segmentation