

Unit 3: Strategies for success

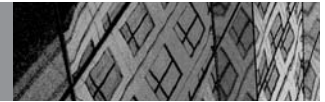
Marketing strategies

Chapter 7 Understanding marketing objectives

PRACTICE EXERCISE 1

Textbook p. 111

- (5 marks) 1 The correct order is: corporate aims, corporate objectives, marketing objectives, marketing strategy, marketing tactics.
- (6 marks) 2 ■ A corporate objective is a specific goal or target for the business as a whole, agreed at senior management level.
■ A marketing objective is a specific, focused target of the marketing function within the organisation. Marketing objectives must be consistent with the corporate objectives.
- (6 marks) 3 ■ Increase market share by 2% by the end of the year.
■ Achieve sales revenue of £2 million within 2 years.
■ Introduce three new products by 2010.
■ Increase consumer recognition of the corporate logo by 10% in 2011.
■ Improve overall added value on product X by £2 per unit this year.
■ Record 'repeat purchases' from 60% of customers within 3 years.
- (4 marks) 4 This situation is likely to lead to a lack of coordination within the business as a whole. The marketing department's targets may not be clear to the other departments, which would be working towards the corporate aims. Consequently, the marketing strategies are likely to fail.
- (6 marks) 5 Two possible reasons are:
■ To allow the printing company to assess whether it has succeeded. By comparing the actual outcome with the target (e.g. a certain market share), success or failure can be ascertained.
■ To motivate members of the marketing department, who can be rewarded for their ability to achieve their targets. These rewards do not necessarily have to be financial.
- (9 marks) 6 Three possible internal factors are:
■ **Corporate objectives.** If these emphasise the quality of the fashion garments, then the marketing objectives cannot be focused on a target that is inconsistent with this aim, such as a marketing objective to achieve low pricing.
■ **Human resources.** Marketing objectives must be achievable and therefore will be influenced by the capabilities of the workforce, particularly where additional training might be needed to achieve the objective.
■ **Finances.** It is vital that any marketing objective is realistic in terms of the marketing budget available to support marketing activities. This will limit the ambition of some marketing objectives.
- (9 marks) 7 Three possible external factors are:
■ **Fashion.** If tastes change suddenly, the business may find it easier to achieve its objectives if it successfully anticipated the change, but more difficult if it did not foresee the latest fashion changes.
■ **Economic changes.** A recession or decline in economic activity will lead to a fall in sales of most products, particularly fashion products, which are often deemed to be luxury items and not essential purchases.
■ **Competition.** The actions of competitors can have a major impact on the sales of business and therefore its ability to hit its marketing objectives. For example, a price war initiated by a competitor is likely to undermine the achievement of marketing objectives.



PRACTICE EXERCISE 2

Textbook p. 112

- (6 marks) 1 ■ Creating an upmarket, high-priced brand image would be inconsistent with the basic, low-cost service that it is offering and would alienate customers.
- Achieving market leadership in 2 years would be unrealistic in a market with some very well-established brands, even if the easyCar strategy worked.
 - High levels of brand recognition would be difficult to achieve in a company that is minimising its marketing costs.
- (9 marks) 2 ■ A certain percentage growth in sales revenue — new businesses may find it easier to achieve high growth rates as they start from a low base.
- Increase market share — again, an easy target if there is a low market share to begin with.
 - Gain a reputation as the cheapest car rental company in the UK — the company's cost structure and basic service will allow easyCar to maintain low prices.
 - Maintain a presence in the UK market — with word-of-mouth advertising through other 'easy' companies and links with easyJet, this objective should be achievable.

CASE STUDY 1 Tesco's marketing objectives

Textbook pp. 112–13

Preliminary questions

- (8 marks) 1 Possible reasons are: to acquire local knowledge or increase the skill of its operations; to limit the initial risk by focusing on a small scale; to enable it to enter the country by taking over an existing business's brand loyalty.
- (8 marks) 2 ■ Tesco's financial position would have influenced its marketing objectives. Its strong cash flow and profitability would enable it to set ambitious marketing objectives.
- Tesco's operational skills would provide it with the ability in logistics to enable it to target convenience stores without greatly modifying its existing business model.
- (9 marks) 3 Possible factors are recent changes in consumer behaviour, such as internet shopping; sudden opportunities arising to break into new markets; external restrictions on domestic growth, such as those imposed by the Competition Commission that prevented Tesco from taking over other UK supermarkets.

Case study questions

- (14 marks) 1 ■ Easier objectives may be set in order to restore morale amongst the workforce, who failed to achieve the 2007/08 objectives.
- More challenging objectives may be set in order to overcome the shortfall from the previous year.
 - Greater consultation may take place so that the marketing objectives are more realistic.

Evaluation

It is probable that the objectives will be made easier, but it may be necessary to focus on the strategies that failed to achieve the objectives rather than the objectives themselves. The objectives should be based on an objective evaluation of internal and external factors in 2008/09, rather than based on historical success or failure, although this will guide those objectives.

- (16 marks) 2 ■ **To grow the core UK business:** overall, Tesco grew in terms of both volume and value, but the growth rates were below the objectives set. Thus Tesco did not achieve these objectives.
- **To become a successful international retailer:** Tesco opened many new overseas stores in the year, although not quite reaching its target. Despite this, overseas sales now account for 62% of Tesco's sales revenue and this division is growing more rapidly than the domestic business.
 - **To be as strong in non-food as in food:** Tesco is achieving 25% growth of non-food items — a much higher percentage than its overall growth target. This target is also being surpassed in toys, sports goods and electrical products.
 - **To develop retailing services:** financial services and telecommunications are experiencing slow growth, indicating that Tesco is not meeting its targets.



Evaluation

Overall, Tesco is achieving its marketing aims, although recently it has not met its targets in the development of retailing services. It has also narrowly failed to achieve target levels of growth in its core business.

CASE STUDY 2 Marketing objectives in practice: Halfords

Textbook
pp. 113–14

Preliminary questions

- (4 marks) 1 This might cause complacency and a failure to seize opportunities when they arise because Halfords could feel comfortable with its achievements.
- (6 marks) 2 Possible corporate objectives are:
- overall growth of 7% per annum in sales revenue — this matches the overall achievements in different areas
 - improve customer loyalty and retention — required in order to introduce new brands

Case study questions

- (14 marks) 1
- Expansion in eastern Europe should help Halfords to grow quickly because its expertise is likely to be superior to the local population, for whom the product range would previously have been considered luxuries.
 - Mezzanine floors improve cost effectiveness and allow Halfords to improve profit margins by cutting costs. Alternatively cost cutting could enable Halfords to cut prices and ensure growth.
 - Fitting and advisory services build customer loyalty and create regular visits to the store, thus helping Halfords' continued expansion.

Evaluation

The eastern European expansion is likely to have the greatest impact as it will enable significant growth, although the mezzanine floors have greatly improved cost control within branches.

- (16 marks) 2 Market growth in eastern Europe initially helped Halfords considerably, although recent events may have negated that positive effect.
- Increased economic growth in the UK as a whole has helped Halfords, as it sells products that people buy more as the economy grows.
- Trends towards environmental friendliness will help Halfords to improve the marketing of some of its range.

Evaluation

The relatively low levels of direct competition for Halfords in its key areas, in both the UK and eastern Europe, are arguably the most crucial factor in helping it to achieve its marketing objectives, although its ability to access low-cost supplies is also a factor.

Chapter 8 Analysing markets and marketing

PRACTICE EXERCISE 1

Textbook pp. 131–32

- (2 marks) 1 Market analysis is the study of market conditions to assist a firm's plans.
- (2 marks) 2 Sales forecasting means predicting the level of sales revenue for individual products or for the organisation as a whole.