Putting it all Together:

**HOW TO USE FRAMEWORKS TO SOLVE MARKETING CASES**

The challenge that is not so obvious

I have observed several students struggle with marketing frameworks. Marketing frameworks, on the one hand, can seem deceptively simple; the STP framework, the 4P’s framework, the 3 C’s framework and the likes are quite straightforward and can be comprehended at first glance without much difficulty. On the other hand, when presented with real-world case studies, with rich qualitative and quantitative information about the market size, market growth rate, consumer buying habits, market shares of incumbent brands, the gross margins that a company can hope to expect, and potential technology innovations, even graduate students with business experience are often stumped about the applicability of the framework. The challenging part of marketing frameworks is not really in knowing or comprehending these frameworks; the challenge is in being able to use these frameworks when presented with a complex real world case.

I have encountered two types of questions. The first one pertains to the starting point of the analysis: Where should I start? Which framework should I use first? The second one pertains to the integration of these frameworks: How do these frameworks relate to each other? The purpose of this note is to offer an overview of the various frameworks that can be used for a prototypical marketing case. I have schematically depicted the how most relevant marketing frameworks connect to each other in figure 1. The reader might want to take a look at the schematic depiction to get an overview before reading further.

Begin with targeting & growth strategy

I think the first step in solving a marketing case is to identify the most attractive marketing strategy for the product. As I will explain later, strategic decisions are distinct from tactical decisions. The marketing strategy for a product comprises of two elements – the product’s positioning statement and its growth strategy. The framework that is most likely to help students arrive at the product strategy is the STP (segmentation-targeting-positioning) framework. So, a good place to begin is by asking the question – what are the different types of consumers in this market? The answer to this question should reveal the segments that exist in the market. From there, the student would be able to discern the motivation of each segment – Why is a particular segment buying the category? What brand are they currently buying? Is there a segment that is dissatisfied with the current offerings in the market? Armed with these consumer insights, the student can then proceed to craft a positioning statement for their own product. The positioning statement will identify who is your target segment (who), what is she currently buying (competition) and why should she buy your product (commonly referred to as USP – unique selling proposition – or value proposition). The USP or the value proposition refers to the

---

1 Prepared solely for the purpose of class discussion by Manoj Thomas, Cornell University. Please do not circulate without prior permission.
distinctive benefits that your product offers (usually it is one or more of the following three generic competitive advantages: cost advantage, functional differentiation or emotional differentiation). The positioning statement also identifies the segments that will be most responsive to your offering.

The second part of your strategy specifies how you will get growth in the identified segment: whether the growth in the identified segment is going to come by increasing penetration (new customers), by increasing frequency (existing customers) or through innovations (offering new products).

**Identifying the best strategy: Use volume projections and financial analysis**

Usually, several different viable options will emerge at this stage. The student’s task at this stage would be to assess the financial attractiveness of each option. An effective marketer’s end goal is to profitably manage his or her business\(^2\); it is about the dollars and dimes that the business generates. Unlike the common myth, marketing is not just about the song and dance that goes into persuading a prospective customer. The most relevant criteria to evaluate various product strategies are sales, revenues and profits. When you have identified the most profitable segment and your positioning and growth strategy in that segment, you have a marketing strategy in place.

**When do I talk about 4Ps?**

It is important to highlight the distinction between strategic decisions and the tactical decisions. Strategic decisions should always precede the tactical decisions. Tactical decisions might change from year to year or market to market, but strategic decisions do not change frequently. As noted earlier, strategic decisions entail articulating your positioning statement (who is your target, what is she buying, and why should she buy your product), and whether the growth is going to come by increasing penetration (new customers), by increasing frequency (existing customers) or through innovations (offering new products). Once the student identifies the most profitable product strategy, she can then proceed to decisions about the tactical elements – deciding product attributes, price, promotions and distribution plans. A common mistake that many amateur marketers make is jumping to the tactics (“I will run a cool ad”, or “I will reduce the price”) without giving much thought to the segmentation and positioning issues.

**When do I talk about branding?**

Branding decisions also emanate (or at least it should emanate) from the strategy. Branding is the art of effectively communicating your message, and building an emotional connection with the

\(^2\) I should add here that a good marketing manager should manage his profits without compromising on consumer welfare or the organization’s integrity; but I reserve the discussion on the issue of ethics in marketing for a different note.
customer. It is useful to think of branding as creating a network of conceptual associations in consumers’ minds. For example, Steve Jobs has managed to build associations such as “creative”, “cool” and “innovative” in consumers’ minds (see www.brandtags.net). Sometimes, these associations can elicit spontaneous affective responses and thus change consumers’ evaluations and preferences. In fact, even brand associations that are unrelated to the product can change consumers’ perceptions of product attributes and/or it can change the importance that they place of various attributes. Branding is more important is some industries (e.g., Coke) than in others (e.g., Cisco). Once again, branding issues cannot be thought of in isolation without considering the product strategy. To know what brand associations will help your business, and what brand associations will hurt your business, you should have a clear idea about your target market, competitive set and your growth strategy.

**What is the role of quantitative analysis?**

It is important to understand how some of the quantitative analysis tools relate to this way of thinking. Quantitative data and analytical tools enable you to empirically test some of these hypotheses that underlie your marketing decisions. For example, conjoint analysis is useful in deciding what combination of product attributes would consumers prefer the most. Factor analysis and perceptual mapping can be used to empirically test your positioning statement. ATAR (Awareness-Trail-Availability-Repeat) models are useful in making volumetric forecasts. The Bass model of diffusion would tell you how the pace of product diffusion can change the size of the category and thus the attractiveness of the market. Empirical validation is not only helpful in identifying the best strategic decision, it also helpful in persuading your stake holders. A CEO is more likely to be willing to give you the resource that you seek when your plan is supported by empirical data. However, empirical analysis can be used only to validate your decisions or test your hypothesis. The strategy will not spontaneously spring from the empirical results. Nor can empirical results be a substitute for your judgment. You will have to interpret the empirical results and use your judgment to arrive at the most optimal decision.

**The iterative nature of the analysis**

Finally, a caveat – although I recommend that you begin your analysis with strategic decisions, I am not suggesting that your decision making process will move linearly from product strategy to 4 Ps and branding. The process is likely to be iterative; based on your considerations of tactics and branding strategy, you may have to revisit and change your product strategy. That is why some of the arrows in the figure 1 are bidirectional.
FIGURE 1

S.T.P. Framework

<table>
<thead>
<tr>
<th>WHO IS BUYING?</th>
<th>Segment 1</th>
<th>Segment 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attribute/Benefit 1</td>
<td>Important</td>
<td>Not Important</td>
</tr>
<tr>
<td>Attribute/Benefit 2</td>
<td>Not Important</td>
<td>Important</td>
</tr>
</tbody>
</table>

TARGETING & GROWTH STRATEGY

POSITIONING STATEMENT
To customers who are looking for ____________, brand _________ is better than _________ because ___________ (cost benefit, functional differentiation, or emotional differentiation)

GROWTH STRATEGY
- Increase penetration
- Increase frequency
- Innovation

BRANDING DECISIONS
- Brand extension vs. new brand
- Brand name
- Brand associations
- Brand personality
- Brand elements (logo, color, font)

TACTICAL DECISIONS - 4 P’s

Product Decisions
- Main benefit
- Attribute configuration
- Packaging

Pricing Decisions
- MSRP
- Penetration or skimming
- Perceived quality implications
- EDLP or Seasonal promotions

Distribution Decisions
- Direct sale or through channels
- Exclusive or mass market
- Channel margins
- Distribution & inventory costs

Promotion Decisions
- Promotional message (Creative brief)
- Media strategy (online/offline/print/electronic)
- Advertising budget

Volumetric Analysis & Break Even Analysis