MARKETING STRATEGY

MKT 601 MASTER OF BUSINESS ADMINISTRATION (M.B.A)

KINGS UNIVERSITY, HONOLULU, HAWAII,
UNITED STATES OF AMERICA.

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Learning Outcomes

Upon successful completion of this course, the student should understand the concepts of Marketing Strategy, Customer Relation Marketing, Internet Marketing, Radio Marketing, creating a successful marketing strategy, Managing Product Plan and Cost Volume Profit Analysis.

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Marketing Strategy

An Organization's **Strategy** that combines all of its **marketing** goals into one comprehensive plan is defined as Marketing Strategy. A good **Marketing Strategy** should be drawn from **market** research and should focus on the right product mix in order to achieve the maximum profit potential and sustain the business.

Overview

All successful products or brands need well-planned marketing strategies in place to ensure that they satisfy the goals set by the corresponding business unit or geographic level and, in turn, the overall corporate marketing strategy.

Marketing strategy is therefore one of the most crucial aspects of sales and marketing.

Here is an overview of the important processes and outputs related to Marketing Strategy:

An analysis of market opportunities is important because businesses operate in dynamic and constantly evolving environments. Understanding the changing landscape and trends impacting a business helps in developing an effective marketing strategy. Crucial factors to consider while analyzing a market opportunity include defining the market within which a company intends to operate and segmenting the market to identify potential customers for the company's product portfolio.

The processes associated with Analyze Market Opportunity are

- *Determine Strengths and Weaknesses,*
- *Determine Opportunities and Threats* and
- *Define Market and Identify Market Segments*.

Each process is explained in detail using its associated inputs, tools and outputs. Analyzing Market Opportunity helps an organization understand what it can deliver so that it can fulfill customer needs.

It then looks at creating a differentiated positioning statement for the company’s products or services for the target segments selected. Competitive positioning tools help define how a company can differentiate its product offerings to create value in the market by fully understanding its target segments and the competitive landscape.

The chapter outlines three processes that help an organization understand market competition, target appropriate market segments and define product features that help create a differentiated positioning statement for the products or brands of the company:

- *Identify Competition*,
- *Select Target Segments* and
- *Create Differentiated Positioning*.

A pricing strategy properly prices a company’s products or services so that the company can sustain profitability while maintaining or growing its market share. Developing a pricing strategy involves assessing the value of the company’s products based on their features; analyzing the pricing and features of competitive products in the market; analyzing the consumer mindset, which takes into account demand and price expectations for the products; and considering anticipated unit costs, sales and profitability. A distribution strategy defines how a company moves a product from creation to consumption in a cost-efficient manner while focusing on the end users’ needs. The distribution strategy is important because understanding and addressing the needs of the entire distribution channel external to the company ensures that products or services are delivered and sold to customers in the most efficient and effective manner possible.

The Pricing strategy is determined for the various products or services of a company. The end objective is sustainable profitability while growing or maintaining a healthy market share. The distribution strategy ensures the most efficient delivery of a company's products or services to the customer and that the selected strategy is based on the company’s assessment of several alternative distribution channels. These processes are explained with the help of their associated inputs, tools and outputs.

It also covers various sales and marketing Aspects including Marketing Research, Digital Marketing, Corporate Sales, Branding and Advertising and Retail Marketing, presenting a framework for allocating targets and budget for each of these Aspects.

The processes are *Determine Metrics*, *Determine Objectives* and *Decide Marketing Aspects and Allocate Budget*. In the first process, *Determine Metrics*, various sales and marketing metrics such as reach, brand perception, product availability, sales and profitability are determined. These metrics help measure the success or failure of the Marketing Strategy. In *Determine Objectives*, attainable, quantifiable and time-based objectives are determined for all of the metrics selected in the previous process. In the final process, the sales and marketing teams select the Marketing Aspects that will help the company reach its overall sales and marketing objectives. Subsequently, specific objectives are determined for each marketing Aspect and a marketing budget is allocated for each.

With a well-developed and designed marketing strategy, a company can achieve and sustain sales success.

Advantages & Disadvantages of Customer Relationship Marketing

The goal of customer relationship marketing is to develop loyalty between a particular brand or company and a targeted customer base. This type of marketing is also called direct marketing, customer relationship management and database marketing. From a small-business perspective, this strategy may help differentiate the company's level of service and attention. It might also keep customers aware of special promotions and inform them of new services or products.

Customer Value

An advantage of customer relationship marketing is that it tends to identify the customers who are more likely to be of higher value to a company. This saves the company time and money in terms of its sales and order-fulfillment efforts. Customer relationship marketing also helps pinpoint customers who are too costly to maintain relationships with, as well as opportunities for growing underdeveloped potential. For example, a customer who is unprofitable for the company might become a long-term account once he is encouraged to buy more of the same product.

Communication

Communication and customer satisfaction tend to increase when customer relationship marketing is used, according to Phillip Kotler and Kevin Lane Keller, authors of the book "Marketing Management." Businesses find it easier and more efficient to obtain and keep their customers. Databases and customer relationship management software help companies keep track of who is buying what and how often. There is more of a two-way interaction between the company and the person who wishes to make a purchase. Promotional incentives such as loyalty discounts and perks help foster a sense of appreciation and reward for repeat business.

Costs

Direct marketing is typically more expensive per customer than other forms. Because there is a higher level of personalization, it might be more time-consuming for a small business to communicate with its customers on an individual basis. It might also be difficult to decide what type of customer information to capture and store, since only some of it may prove useful. A small-business owner and his staff might need to receive training on how to interpret customer data and buying behavior.

Security

The security issues associated with maintaining sensitive data are a major disadvantage of customer relationship marketing. Personal customer information is often stored on servers and in computerized databases, which puts the business at risk for liabilities. Some customers will refuse to share some of their information, making it more difficult to take full advantage of the concepts behind customer relationship marketing. Protecting personal data is costly for businesses because electronic security measures must be executed. In addition, companies need to tell customers how their data is used, when it might be shared and why.

Increase Your Profits

With customer relationship marketing, you've already established your main demographic. This means you can concentrate your promotional efforts on customers who have already proven their loyalty to your company. This result in significant profit for your company, since you can market to clients based on the type of items they purchase most from your company. Loyal customers are also more likely to go for the up-sells that you promote, or to try new products that your company has introduced, which also results in more of a profit for your business.

Save Money

When you know who you should market to, you don't have to spend extra advertising dollars marketing to individuals who may not be interested in your company. Customer relationship marketing can be as simple as sending a short email to established customers to remind them of an upcoming sale or using word of mouth to tell clients about a new product in the store when they visit your establishment. Neither one of these marketing tools will cost you any money.

Word-of-Mouth Marketing

The customers who have been patronizing your business for a while are likely to tell their friends and family about your company. This will prompt more people to inquire about your business, without your marketing team having to spend money to get the word out about your company. The more you establish a positive relationship with your customers and continuously meet their needs, the greater the chances are that your clients will tell everyone they know to purchase from your business.

Customer Retention

Since customer relationship marketing focuses on the customers who are already purchasing goods and services, you may miss the chance to market to possibly interested customers. Conducting smaller marketing efforts that attract potential clients is best, so you can create an even larger customer base.

Over-Advertise

Even though your clients love hearing about new products and sales, don't overdo it when it comes to advertising. A monthly newsletter is a way to let customers know about discounts without sending out daily or weekly emails. Don't overwhelm your customers with text messages or direct mail fliers. Regular customers like to be kept up to date on new items and promotions, but don't overwhelm your clients, as this may turn them off to your company and reduce your sales.

General Advantages of Marketing

An obvious advantage of marketing is the **promotion of your business;** getting the recognition and attention of your target audience across a wide ranging or specific market.

Going hand-in-hand with this is the **enhanced brand recognition**. Over time potential customers and members of the public will begin to associate your logo and your brand with your business.

Every business needs to 'spend money to make money'. Investing in marketing is no different. The most important advantage of marketing is therefore quite simply **improving the businesses profits** by boosting sales.

General Disadvantages of Marketing

The first disadvantage of marketing in general is the **cost**. Adverting and marketing costs money. If you don't do the proper research then you might end up throwing money away. Wasting marketing efforts by targeting the wrong audience using an inappropriate medium would be a serious and costly mistake. So it is important to do your research beforehand and keep your costs to a minimum.

As well as the financial cost, marketing your business will require **investment of time**. Researching the appropriate marketing strategy, designing and writing the adverts, getting them published, dealing with any response. It's important to spend time keeping track of how successful or not your marketing campaign is. A potential disadvantage of marketing here is the risk of time wasted for an unsuccessful campaign.

Research shows that people in general have to see a piece of information between 3 and 30 times before it sinks in. So the obvious disadvantage of marketing here is the fact that your marketing campaign will need to be ongoing and consistent. Increasing costs and time spent on it. This is where **drip marketing** comes in.

Specific Advantages and Disadvantages of Marketing

For specific types of media there may be other advantages and disadvantages of marketing. Each will obviously vary depending on your business, your market and your chosen marketing techniques.

Print Advertising

Advantages and disadvantages of print marketing are reasonably obvious.

Advantages:

- Choosing the appropriate magazine or newspaper to advertise and market your business allows you to appeal to a specific audience and demographic. Targeting your adverts at the right audience to maximize its effectiveness.
- Often an advantage of marketing via print media is the flexibility. The size, placement and type of advert can be adopted and changed according to your needs.
- Another advantage marketing this way is the repeated display of your advert over time. Multiple appearances in various issues of the paper or magazine will improve chances of your brand sticking with the customers and also the results you will see in terms of sales leads.

Disadvantages:

- Cost can be prohibitive. The bigger the advert the more the cost. Magazines and newspapers with a wider audience generally cost more to advertise in and marketing over time in this manner may be too expensive for some businesses.
- Competition in the marketing space may be another disadvantage. You want your advert to stand out, but unless you can afford to pay for a full page spread you will be competing with the other businesses scrambling for attention.
- Magazines are often released on a monthly basis, meaning it can take longer for your advert to take hold in a potential customers mind.

Television & Radio Marketing

The advantages and disadvantages of marketing via radio or television will clearly be considerably different to those of print.

Advantages:

- There are many radio and television stations out there. You can appeal to your local audience by using a local radio or television station. You may also run an advert on a specific station with a genre which would suit your business. The variety of radio and television stations makes it easy to **appeal to a specific audience**.

- Your advert may well be repeated throughout the day at specific times, which would allow you to reach the best audience for your marketing.
- Radio and television marketing allows for regular repetition of your advert, helping satisfy the ***law of 29***.

Disadvantages:

- Unless you are targeting a specific audience, you might have to push your advert across a number of radio and television stations to reach everyone you need to.
- An obvious disadvantage of radio and television marketing is the temporary nature of the advert. Unlike print, potential customers cannot go back to look for your contact information. So you will need to run the advert many times to get the best effect.
- Listeners/viewers may stop paying attention during advert breaks, which are essentially a disturbance to their enjoyment of the show.

Direct Mail Marketing

Your chosen market might benefit from a direct marketing campaign. Send your adverts, catalogues or product samples straight through your customer's letterbox. You could target the right audience by using the electoral register to find the right age, sex and demographic or acquire access to marketing mailing lists.

Advantages:

- Direct mail marketing will allow you to target to your specific customer. Personalizing your message to have the best possible impact on them.

- Unlike other forms of advertising, your marketing will not need to stand out on a page full of other adverts. It will just need to stand out from the pile on the doormat. A brightly colored, appealing envelope may be all it takes.
- This type of marketing allows you target a specific area or locality. Especially important if your business is local.

Disadvantages:

- Direct mail is often seen as “junk” mail. So if your marketing doesn’t stand out and appeal in just the right way it might find its way straight from the letterbox to the bin.
- The law of 29 means you will need to do a direct mailing campaign many times before it has an effect.
- You risk annoying your customers by plaguing them with regular “junk” mail campaigns.

Telemarketing

Cold-calling and other telemarketing campaigns have their place in business. They can be effective if done correctly. Like the other types of marketing, they have their own advantages and disadvantages.

Advantages:

- Personal contact with the customer is more effective than something abstract designed to appeal to a multitude of people. It makes the customer feel more important if you can make them think you are only there to help them with *their* needs.
- Results are easy to measure and often a potential customer can be easily led to a sale over the phone. In other words the call to action will be more effective.

Disadvantages:

- Cold-calling, like junk mail, can have an unwanted effect as it has negative connotations. Unwanted calls are often dealt with harshly and you might risk damaging your reputation.
- Technology is out there which is being used to block unwanted telemarketing calls. There is also legislation that needs to be abided based on each country.
- Costs may be more expensive than other forms of marketing, depending on your plan.

Marketing Your Business

Weighing up the above advantages and disadvantages of marketing throughout the various mediums will allow you to decide on the best course of action for your business. You might find that using several different techniques will help you get the most out of your marketing campaign.

Whatever you choose to do, you will need to carry out some sort of marketing if you hope to succeed in business and make a healthy profit.

Benefits of Internet Marketing for the Customer

The internet has changed customer shopping habits and with rapid technological developments accessing the internet has become easier than ever. People can access the internet whenever and wherever they like. Why do people like using the internet? Listed below are some of the benefits of the internet for the customer.

Customers Stay Updated

The internet keeps customers updated through websites, emails, online adverts and social networking sites. Many customers can access the internet on the move through things technology such as smart phones and tablets. Manufacturers and retailers can instantly update their customers through the internet.

Customers Can Compare Online

One of the greatest advantages for the customer is that they can compare products or services they wish to purchase from the comfort of their own homes. Instead of having to visit a number of different retail outlets, the user simply has to open different internet window tabs to compare prices or features of the product/service they wish to purchase. Many retailing websites offer the facility where different products they sell can now be easily compared. There is also price comparison websites that customers can use to get the best possible price for their products.

Clear Product Information For the Customer

Websites offer clear and consistent product information to all internet users. There is little chance of misinterpretation or mishearing what the sales person said as in a retail store. The internet has comprehensive product information whereas in a shop the customer is reliant in the knowledge of their sales advisor.

Transparent Pricing

Pricing online is very clear and transparent for the customer; customers can access pricing information from a range of sellers with a few internet clicks. Customers can take advantages of pricing that may change regularly or take advantages of special offers that last for a limited period as they can access pricing information 24 hours a day/7 days a week. Whereas prices for products offered for sale in retail premises can only be accessed whilst the store (or store telephone lines are) open.

Track Your Purchase and Choose Delivery Dates

Many websites allow consumers to track their purchase from when it is ordered through to when they are dispatched and delivered to them. This reassures the consumer and makes them feel that they are obtaining a good service online. Some sellers also allow the consumer to choose the delivery address for each purchase and select their own delivery date and time.

Reduction in Personal Carbon Footprint

Looking after the environment and the world we live in is important for many customers. When consumers shop online they use their cars less and their personal carbon footprint is reduced. Retailers can support carbon reduction by sorting deliveries so that purchases by customers living close to each other can be delivered on the same day.

24/7 Shopping

There is no time restriction on when a consumer can shop online; the internet is available all day every day. Many online sales now start at midnight on a particular day encouraging customers to shop all hours of the day. For example many retailers will start post Christmas sales on the 26th of December 00.00.

Marketing plan

A **marketing plan** is a business document written for the purpose of describing the current **market** position of a business and its **marketing strategy** for the period covered by the **marketing plan**. **Marketing plans** usually cover a period of 1-5 years.

Creating Strong Marketing Plans

Everyone knows you need a business plan, yet many entrepreneurs don't realize a marketing plan is just as vital. Unlike a business plan, a marketing plan focuses on winning and keeping customers; it's strategic and includes numbers, facts and objectives. A good marketing plan spells out all the tools and tactics you'll use to achieve your sales goals. It's your plan of action—what you'll sell, who'll want to buy it and the tactics you'll use to generate leads that result in sales. And unless you're using your marketing plan to help you gain funding, it doesn't have to be lengthy or beautifully written. Use bulleted sections, and get right to the point.

Step 1: Begin with a snapshot of your company's current situation, called a "situation analysis."

This first section defines your company and its products or services, and then shows how the benefits you provide set you apart from your competition.

Target audiences have become extremely specialized and segmented. No matter your industry, from restaurants to professional services to retail clothing stores, positioning your product or service competitively requires an understanding of your niche market. Not only do you need to be able to describe what you market, but you must also have a clear understanding of what your competitors are offering and be able to show how your product or service provides a better value.

Make your situation analysis a succinct overview of your company's strengths, weaknesses, opportunities and threats. Strengths and weaknesses refer to characteristics that exist within your business, while opportunities and threats refer to outside factors. To determine your company's strengths, consider the ways that its products are superior to others, or if your service is more comprehensive, for example. What do you offer that gives your business a competitive advantage? Weaknesses, on the other hand, can be anything from operating in a highly saturated market to lack of experienced staff members.

Next, describe any external opportunities you can capitalize on, such as an expanding market for your product. Don't forget to include any external threats to your company's ability to gain market share so that succeeding sections of your plan can detail the ways you'll overcome those threats.

Positioning your product involves two steps. First, you need to analyze your product's features and decide how they distinguish your product from its competitors. Second, decide what type of buyer is most likely to purchase your product. What are you selling? Convenience? Quality? Discount pricing? You can't offer it all. Knowing what your customers want helps you decide what to offer, and that brings us to the next section of your plan.

Step 2: Describe your target audience.

Developing a simple, one-paragraph profile of your prospective customer is your next step. You can describe prospects in terms of demographics—age, sex, family composition, earnings and geographic location—as well as lifestyle. Ask yourself the following: Are my customers conservative or innovative? Leaders or followers? Timid or aggressive? Traditional or modern? Introverted or extroverted? How often do they purchase what I offer? In what quantity?

If you're a business-to-business marketer, you may define your target audience based on their type of business, job title, and size of business, geographic location or any other characteristics that make them possible prospects. No matter who your target audience is, be sure to narrowly define them in this section, because it will be your guide as you plan your media and public relations campaigns.

Step 3: List your marketing goals.

What do you want your marketing plan to achieve? For example, are you hoping for a 20 percent increase in sales of your product per quarter? Write down a short list of goals—and make them measurable so that you'll know when you've achieved them.

Step 4: Develop the marketing communications strategies and tactics you'll use.

This section is the heart and soul of your marketing plan. In the previous sections, you outlined what your marketing must accomplish and identified your best prospects; now it's time to detail the tactics you'll use to reach these prospects and accomplish your goals.

A good marketing program targets prospects at all stages of your sales cycle. Some marketing tactics, such as many forms of advertising, public relations and direct marketing, are great for reaching cold prospects. Warm prospects—those who've previously been exposed to your marketing message and perhaps even met you personally—will respond best to permission-based email, loyalty programs and customer appreciation events, among others. Your hottest prospects are individuals who’ve been exposed to your sales and marketing messages and are ready to close a sale. Generally, interpersonal sales contact (whether in person, by phone, or email) combined with marketing adds the final heat necessary to close sales.

To complete your tactics section, outline your primary marketing strategies, then include a variety of tactics you’ll use to reach prospects at any point in your sales cycle. For example, you might combine outdoor billboards, print advertising and online local searches to reach cold prospects but use email to contact your warm prospects.

To identify your ideal marketing mix, find out which media your target audience turns to for information on the type of product or service you sell. Avoid broad-based media—even if it attracts your target audience—if the content isn't relevant. The marketing tactics you choose must reach your prospects when they’ll be most receptive to your message.

Step 5: Set your marketing budget.

You'll need to devote a percentage of projected gross sales to your annual marketing budget. Of course, when starting a business, this may mean using newly acquired funding, borrowing or self-financing. Just bear this in mind—marketing is absolutely essential to the success of your business. And with so many different kinds of tactics available for reaching out to every conceivable audience niche, there's a mix to fit even the tightest budget.

As you begin to gather costs for the marketing tactics you outlined in the previous step, you may find you've exceeded your budget. Simply go back and adjust your tactics until you have a mix that's affordable. The key is to never stop marketing—don't concern yourself with the more costly tactics until you can afford them.

Develop a marketing strategy

Effective marketing starts with a considered, well-informed marketing strategy. A good marketing strategy helps you define your vision, mission and business goals, and outlines the steps you need to take to achieve these goals.

Your marketing strategy affects the way you run your entire business, so it should be planned and developed in consultation with your team. It is a wide-reaching and comprehensive strategic planning tool that:

- describes your business and its products and services
- explains the position and role of your products and services in the market
- profiles your customers and your competition
- identifies the marketing tactics you will use
- Allows you to build a marketing plan and measure its effectiveness.

A marketing strategy sets the overall direction and goals for your marketing, and is therefore different from a marketing plan, which outlines the specific actions you will take to implement your marketing strategy. Your marketing strategy could be developed for the next few years, while your marketing plan usually describes tactics to be achieved in the current year.

Write a successful marketing strategy

Your well-developed marketing strategy will help you realise your business's goals and build a strong reputation for your products. A good marketing strategy helps you target your products and services to the people most likely to buy them. It usually involves you creating one or two powerful ideas to raise awareness and sell your products.

Developing a marketing strategy that includes the components listed below will help you make the most of your marketing investment, keep your marketing focused, and measure and improve your sales results.

Identify your business goals

To develop your marketing strategy, identify your overarching business goals, so that you can then define a set of marketing goals to support them. Your business goals might include:

- increasing awareness of your products and services
- selling more products from a certain supplier
- reaching a new customer segment.

When setting goals it's critical to be as targeted as possible so you can effectively measure the outcomes against what you set out to achieve. A simple criteria for goal-setting is the SMART method:

- **S**pecific - state clearly what you want to achieve
- **M**easurable - set tangible measures so you can measure your results
- **A**chievable **-** set objectives that are within your capacity and budget
- **R**elevant - set objectives that will help you improve particular aspects of your business
- **T**ime-bound - set objectives you can achieve within the time you need them.

State your marketing goals

Define a set of specific marketing goals based on the business goals you listed above. These goals will motivate you and your team and help you benchmark your success.

Examples of marketing goals include increased market penetration (selling more existing products to existing customers) or market development (selling existing products to new target markets). These marketing goals could be long-term and might take a few years to successfully achieve. However, they should be clear and measurable and have time frames for achievement.

Make sure your overall strategies are also practical and measurable. A good marketing strategy will not be changed every year, but revised when your strategies have been achieved or your marketing goals have been met. Also, you may need to amend your strategy if your external market changes due to a new competitor or new technology, or if your products substantially change.

Research your market

Research is an essential part of your marketing strategy. You need to gather information about your market, such as its size, growth, social trends and demographics (population statistics such as age, gender and family type). It is important to keep an eye on your market so you are aware of any changes over time, so your strategy remains relevant and targeted.
Profile your potential customers

Use your market research to develop a profile of the customers you are targeting and identify their needs.

The profile will reveal their buying patterns, including how they buy, where they buy and what they buy. Again, regularly review trends so you don't miss out on new opportunities or become irrelevant with your marketing message.
While you try to find new customers, make sure your marketing strategy also allows you to maintain relationships with your existing customers.

Profile your competitors

Similarly, as part of your marketing strategy you should develop a profile of your competitors by identifying their products, supply chains, pricing and marketing tactics.

Use this to identify your competitive advantage - what sets your business apart from your competitors. You may also want to identify the strengths and weaknesses of your own internal processes to help improve your performance compared with your competition.

Develop strategies to support your marketing goals

List your target markets and devise a set of strategies to attract and retain them. An example goal could be to increase young people's awareness of your products. Your corresponding strategies could be to increase your online social media presence by posting regular updates about your product on Twitter and Facebook; advertising in local magazines targeted to young people; and offering discounts for students.

Use the '7 Ps of marketing'

Identify your tactical marketing mix using the 7 Ps of marketing. If you can choose the right combination of marketing across product, price, promotion, place, people, process and physical evidence, your marketing strategy is more likely to be a success.

Test your ideas

In deciding your tactics, do some online research, test some ideas and approaches on your customers and your staff, and review what works. You will need to choose a number of tactics in order to meet your customers' needs, reach the customers within your target market and improve your sales results.

Established Business Strategy - Marlboro Case

The case discusses the marketing strategies of Philip Morris USA (Philip Morris), a leading tobacco company in the US, for its popular cigarette brand, Marlboro. It shows how the company used the image of a cowboy to successfully establish the brand Marlboro in the minds of consumers. The case also discusses the various marketing strategies adopted by Philip Morris before and after the implementation of the Master Settlement Agreement (MSA) which imposed severe restrictions on marketing of tobacco products in the US. It shows how the marketing strategies adopted by Philip Morris over the years have helped it in retaining Marlboro as a top selling brand since its re-launch in the early 1950s.

Issues:

• Brand Personality

• Role of Regulatory Bodies in Marketing of Harmful Products

• Role of Promotional Tools in Building Customer Loyalty

• Importance of 'Integrated Marketing Communication'

• Role of Advertising and Promotion in Customer Retention

• Developing a Cult Brand

• Change Management

Introduction

In August 2005, Business Week ranked Altria Group Inc's (Altria) cigarette brand, Marlboro at number 10 among the top 100 global brands for the year 2005. Marlboro was valued at $ 22,128 million. Marlboro was originally launched in the US during early 1900s. However, the brand was withdrawn from the market for a brief period and was later reintroduced during 1950s. When Marlboro was re-launched during the 1950s it occupied around 1% of the total market share in the US. With a view to improving the brand's image, Philip Morris Inc. (Philip Morris) (Altria was then known as Philip Morris Inc.) hired the advertising agency, Leo Burnett Company to promote the brand Marlboro.

Initially, the ad agency introduced the 'tattooed man ‘campaign which helped in repositioning Marlboro as a product targeted at men. During the 1960s, the ads began featuring cowboys, popularly known as 'the Marlboro man'. These ads went on to become a huge success in the US. By the end of 1960s, Marlboro became one of top selling brands in the US cigarette market.

In 1970, Marlboro was ranked third among the top selling brands in the US with sales of $ 51.37 billion. During the 1970s, the 'Marlboro Country' campaign was introduced. It helped strengthen the brand's image in the US. In 1972, Philip Morris brought out Marlboro Lights in addition to the regular Marlboro. Over the years, the company offered various line extensions of Marlboro. By 1979, Marlboro became the top selling brand in the US. Marlboro's sales in the year 1979 accounted for $ 103.6 billion. Marlboro continued its successful innings through out the 1980s. In 1991 and 1992, Marlboro was ranked as the most 'valuable brand' in the world consecutively for two years by Financial World[6].

At this time, the ad campaign featuring the Marlboro man was considered as one of the most successful ad campaigns in the history of the US. In 1998, the US government implemented the Master Settlement Agreement which imposed severe restrictions on the advertising and promotion of tobacco products in the US

This meant that Philip Morris could not freely advertise for its products as before. In spite of these restrictions, Marlboro continued to be a leading brand in the US market. After the implementation of the Master Settlement Agreement, Philip Morris concentrated more on point-of-sale advertising and direct mail advertising. The company changed its focus to establishing long-term relations and building customer loyalty. To achieve this, Philip Morris introduced a customer loyalty program called the ***'Marlboro miles'*** program. This program helped the company keep track of its loyal consumers. Promotional strategies such as sweepstakes, contests, etc. were used by the company to strengthen Marlboro's image.

It also entered into exclusive contracts with retailers in which retailers agreed to display the company's premium products like Marlboro cigarettes prominently. As of 2005, Philip Morris had exclusive contracts with 193,000 retailers of the total of 400,000 retailers in the US. In 2005, Marlboro was still at # 1 position among the top selling cigarette brands in the US.

Background Note

Altria's journey began in 1847 when Philip Morris (Morris), a British tobacconist, set up a shop in London's Bond Street and began selling imported cigars. By 1854, he began making and selling cigarettes. When Morris passed away in 1873, the business was taken over by his wife, Margaret Morris (Margaret) and his brother Leopold Morris (Leopold). In 1880, Leopold acquired full ownership of Morris' tobacco business by purchasing Margaret's share in the business. It became a public company in 1881. In 1885, Leopold entered into a brief partnership with Joseph Grunebaum to form Philip Morris & Company and Grunebaum.

However, this partnership ended in 1887 and the company became Philip Morris & Co (PMC). By the early 1890s, PMC was facing financial difficulties. In 1894, the company's creditors took over the company. One of the creditors, William Curtis Thomson and his family held a majority stake in the company...

Discovering the Marlboro Man

When Marlboro was launched in the US in 1902, it was targeted at women. The brand 'Marlboro' had apparently been named after a street called Marlborough in London where the company had a factory. In 1924, with a view to strengthening the brand, Philip Morris started advertising Marlboro with the slogan 'Mild as May.'...

The 'Marlboro Country' Campaign

During the 1960s, Philip Morris started the 'Marlboro Country' campaign. These ads appeared frequently in print and TV commercials.

In these ads, the Marlboro man invited consumers to Marlboro country for a free and unstressed life.

The slogans for these ads included "Settle Back. You get a lot to like here in Marlboro Country," "Come to where the flavor is.

Come to Marlboro Country," etc.

The Master Settlement Agreement and After

In 1983, Rose Cipollone (Cipollone), who was suffering from lung cancer, filed a law suit against the tobacco industry alleging that cigarette smoking was responsible for her poor state of health. During the trial, the jury was presented with a series of industry documents which were, in fact, reports of research conducted during the 1970s by some tobacco companies (including Philip Morris) regarding the ill effects and addictive nature of cigarette smoking...

More than a Tobacco Company

In 1999, Philip Morris admitted that smoking is addictive and that it creates health risks among consumers...

Increasing Retail Presence

Despite the severe restrictions, the US Federal Trade Commission (FTC) found that the advertising expenditure of the tobacco companies increased to $ 8.24 billion in 1999, a 22.3 percent increase when compared to $6.73 billion spent in 1998. Post MSA, the only medium available to tobacco companies for advertisements is the print medium...

Building Customer Loyalty

By 2001, Philip Morris began laying emphasis on relationship marketing. For Philip Morris, building customer loyalty now became the new mantra for ensuring the success of the hugely popular Marlboro. The company held special parties to which only customers of Philip Morris products were allowed...

Marlboro Still Reigns

The US government's report on 'Tobacco Industry Marketing' published in 2005 found that in 2003 Marlboro was the most favored brand among consumers aged between 12 and 17 years. The brand Marlboro it was reported was consumed by 49 percent of the smokers in that age group.

The report also mentioned that Marlboro was one of the heavily advertised cigarette brands in the US. Marlboro was ranked at number 9 in the most popular global brands by Business Week in 2003.

Although the company abstained from placing its products in movies or television shows, it was observed that Marlboro was one of most visible brands in movies and television shows.

Marlboro cigarettes were seen being smoked by famous artists in various hit movies and popular television shows. According to Nielsen Product Placement, Marlboro was the 'most-exposed brand ‘on television in 2004.

Apparently, the brand was most exposed on a reality show called The Simple Life, where the protagonist Paris Hilton was often seen smoking Marlboro. Although the television channel marred the Marlboro logo digitally, the brand was still recognizable...

Market Opportunity Analysis:

As you work on your business plan, a major section needs to be devoted to identifying future opportunities for your company. This is key to developing a long term strategy, because without any planning you’re likely to only have short term success. Not something a typical business owner wants to hear. If you’re still waiting to make a start on your business plan, check out this **recent post** and read through a great example of how it should look.

In essence, a marketing opportunity analysis takes into consideration the financial capabilities, available technology and your competitive readiness to take action. Its conclusions allow you to identify new target markets, discover unmet customer needs, and realize your competitive advantages. This course is great for beginners who want to be able to better understand what their customers want. Instead of guessing what it is your customers are after, it's essential you do your analysis properly. All good businesses meet their customers needs, which is especially in today's environment where the level of competition is through the roof. Another great resource that will help you hit the ground running is this course, as it teaches you every single section you need to consider in your analysis, as well as examples in how to do each.

Market Opportunity Analysis Steps

In its simplest form, to properly perform a market opportunity analysis there is five steps to follow:

1. Identify what's currently happening in the business environment.

In this section you need to look at the economic conditions (growth, stable or decline) as well as any trends or social changes that could have an impact on the business. Delve into both the legal and regulatory situations, as these can often change and you need to be prepared for any future expected changes as well. Research the latest technology and state of the art developments, and take into account the natural environment. Are there any vulnerabilities or limitations on resources that could hinder your growth?

2. Define the industry and determine the outlook.

Here you need to state exactly the industry that you are operating within, and make forecasts on the size of the market. Look back over the last 5 years, and project how you believe it will grow over the next 12 months, 3 years and 5 years. Look to your competition and discover the marketing practices that are being utilized, and see if you can see any major trends or shifts within your industry. Here there are major implications for potential opportunities, as you need to ensure you're moving in the same direction as the market.

3. Dive into the details of your competitors.

You need to know what businesses you are competing with, and know their products inside and out. Go through their product mix, and compare this with the products you are offering. Make sure you're objective in your approach, and also identify the relative strengths and weaknesses of the products from your customers point of view. Look at how your competition is reaching the market, the channels they're using to both distribute and market their products, and the level of service that's being offered. If you have details on the market share of other businesses include it here, and sum it all up in a couple of short sentences that outline the implications of this section regarding the opportunities in the market.

4. Describe your target market.

You need to build a profile of your ideal customer, so that you can adequately focus your sales and marketing efforts and reach your customers. If you haven't built a marketing plan before, this course is a great place to start as it covers both understanding and a strategy to reach your market, and has a number of templates to guide your progress. In essence you simply need to look at the needs of your customers, but if you get stuck try asking yourself one of these questions:

- Who are my potential customers?
- What are my potential customers like as a consumer?
- What are my potential customers looking for?
- When is the product needed?
- Is there a particular channel that the product sells best in?
- How do my potential customers make a decision to buy a product?
- How important is each of my products attributes to my potential customers?
- Are there any outside influences that have an effect on their buying decision?
- Is there any limitations that can influence the level of opportunity?
- What is the competition starting to do?
- How is the market developing and changing?

Thinking and answering these should get the ball rolling, remember the entire goal is to focus on the end-user, and determine what it is they actually need. If the need is there, the market is there, and you've got the basic fundamentals for creating success selling your products.

5. Create your projections.

Use a variety of techniques that build on all of the information in your business plan to set a forecast of your sales. This includes best and worst case scenario analysis, any intuition or "gut-feelings" you have about new markets, and compare any results you have seen to date. The final recommendation in a market opportunity analysis is a simple answer to this question. Is the project a go? (Or) a 'no-go'?

Sources of Information

As you're working on the project, what can be most difficult is the information you need to adequately support your projections, or to help you make decisions. Especially in emerging markets, much of the time the information you need either doesn't exist, or isn't available. Here's the types of information that will help you build your market opportunity analysis

Published works

- Trade reports from industry associations
- Newspapers and periodicals
- Information service reports that are standardized for an industry
- Government reports
- Annual Company Reports

Firsthand observations

- Interviews and discussions with customers or suppliers
- Interviews and discussions with competitors (or with customers about competitors)
- Interviews and discussions with experts
- A personal opinion of the macro environmental influences

Reach out to the managers in companies that deal with suppliers, the people running trade associations, consultants in your industry, as well as sales people. They'll all have an idea of the information you need, as well as their firsthand experience. In doing your research, surveys are another great way to get more information on a market, especially if you have a means of reaching the target consumer. Here's the questions you need to be asking, whether it's in a survey, or in an interview

- Their estimate of the size of the market

- Their estimates of the market potential, and how fast it is growing
- Their understanding of your position in the market and your value proposition
- Their preferred product and why
- What aspect of the product adds the most value to them as an end-user
- How they see the differences between the top three competitors in your field
- Are the differentiators sustainable over time?
- What are the short and long term needs of the market?
- List out all the emerging markets that can use the product

As you're making your conclusions in the market opportunity analysis, remember that there are four key areas where you can create value for your clients.

- **Trapped value.** This is empowering your customers, creating greater efficiency and accessibility of your products.
- **New value.** This is extending your product lines, personalizing products and using collaboration to build a loyal following of customers.
- **Horizontal value.** This is improving the functionality of your existing products.
- **Vertical value.** This is improving the industry specific products and activities your business engages in.

Taking all of the information gathered so far, the final step is to craft it into a story. You want to build a compelling picture of the target segment, and the high level value proposition that you are offering. You'll need to spell out exactly what the benefits are to the customer, and what's absolutely critical to deliver. Run through the resources that are required to take advantage of this opportunity, and clearly describe how the business will be able to establish an advantage over the competition. You'll need to include how you believe value can be made from this opportunity, and spell out in plain figures what this opportunity represents in both investment, and expected returns. By the end of all this, you'll have a perfect overview of what needs to be done, so that you can help the decision making process. The next step is to implement this into your marketing strategy, and build a fantastic value proposition which is covered in detail in this course for business owners.

Firm Performance Analysis

Firm performance is a relevant construct in strategic management research and frequently used as a dependent variable. Despite this relevance, there is hardly a consensus about its **definition**, dimensionality and measurement, what limits advances in research and understanding of the concept.

Start With the Balance Sheet

Like your own financial position, a company's financial position is defined by its assets and liabilities. A company's financial position also includes shareholder equity. All this information is presented to shareholders in the balance sheet.

Let's suppose that we are examining the financial statements of fictitious publicly listed retailer, The Outlet, to evaluate its financial position. To do this, we examine the company's annual report, which can often be downloaded from a company's website. The standard format for the balance sheet is assets, followed by liabilities, then shareholder equity.

Current Assets and Liabilities

Assets and liabilities are broken into current and non-current items. Current assets or liabilities are those with an expected life of less than 12 months. For example, suppose that the inventories that The Outlet reported as of January 31, 2016, are expected to be sold within the following year, whereupon the level of inventory will fall and the amount of cash will rise.

Like most other retailers, The Outlet's inventory represents a big proportion of its current assets, and so should be carefully examined. Since inventory requires a real investment of precious capital, companies will try to minimize the value of inventory for a given level of sales, or maximize the level of sales for a given level of inventory. So, if The Outlet sees a 20% fall in inventory value together with a 23% jump in sales over the prior year, this is a sign they are managing their inventory relatively well. This reduction makes a positive contribution to the company's operating cash flows.

Current liabilities are the obligations the company has to pay within the coming year, and include existing (or accrued) obligations to suppliers, employees, the tax office and providers of short-term finance. Companies try to manage cash flow to ensure that funds are available to meet these short-term liabilities as they come due.

The Current Ratio

The current ratio - which is total current assets divided by total current liabilities - is commonly used by analysts to assess the ability of a company to meet its short-term obligations. An acceptable current ratio varies across industries, but should not be so low that it suggests impending insolvency, or so high that it indicates an unnecessary build-up in cash, receivables or inventory. Like any form of ratio analysis, the evaluation of a company's current ratio should take place in relation to the past.

Non-Current Assets and Liabilities

Non-current assets or liabilities are those with lives expected to extend beyond the next year. For a company like The Outlet, its biggest non-current asset is likely to be the property, plant and equipment the company needs to run its business.

Long-term liabilities might be related to obligations under property, plant and equipment leasing contracts, along with other borrowings.

Financial Position: Book Value

If we subtract total liabilities from assets, we are left with shareholder equity. Essentially, this is the book value, or accounting value, of the shareholders' stake in the company. It is principally made up of the capital contributed by shareholders over time and profits earned and retained by the company, including that portion of the any profit not paid to shareholders as a dividend.

Market-to-Book Multiple

By comparing the company's market value to its book value, investors can in part determine whether a stock is under- or over-priced. The market-to-book multiple, while it does have shortcomings, remains a key tool for value investors. Extensive academic evidence shows that companies with low market-to-book stocks perform better than those with high multiples. This makes sense since a low market-to-book multiple shows that the company has a strong financial position in relation to its price tag.

Determining what can be defined as a high or low market-to-book ratio also depends on comparisons. To get a sense of whether The Outlet's book-to-market multiple is high or low, you need to compare it to the multiples of other publicly listed retailers.

The Bottom Line
A company's financial position tells investors about its general well-being. A study of it (and the footnotes in the annual report) is essential for any serious investor wanting to understand and value a company properly.

Use of Market research for marketing strategic decisions

Marketing research is the function that links the consumer, customer, and public to the marketer through information. This information is used to identify and define marketing opportunities and problems; to generate, refine, and evaluate marketing actions; to monitor marketing performance; and to improve understanding of the marketing process. Marketing research specifies the information, manages and implements the data-collection process, analyzes the results, and communicates the findings and their implications. Marketing research is concerned with the application of theories, problem-solving methods, and techniques to identify and solve problems in marketing. In order to offset unpredictable consumer behavior, companies invest in market research.

Increased customer focus, demands for resource productivity, and increased domestic and international competition has prompted an increased emphasis on marketing research. Managers cannot always wait for information to arrive in bits and pieces from marketing departments. They often require formal studies of specific situations. For example, Dell Computer might want to know a demographic breakdown of how many and what kinds of people or companies will purchase a new model in its personal computer line. In such situations, the marketing department may not be able to provide from existing knowledge the detailed information needed, and managers normally do not have the skill or time to obtain the information on their own. This formal study, whether performed internally or externally, is called marketing research.

The marketing research process consists of four steps: defining the problem and research objectives, developing the research plan, implementing the research plan, and interpreting and reporting the findings.

DEFINING THE OBJECTIVES

The marketing manager and the researcher must work closely together to define the problem carefully and agree on the research objectives. The manager best understands the decision for which information is needed; the researcher best understands marketing research and how to obtain the information.

Managers must know enough about marketing research to help in the planning and to interpret research results. Managers who know little about the importance of research may obtain irrelevant information or accept inaccurate conclusions. Experienced marketing researchers who understand the manager's problem should also be involved at this stage. The researcher must be able to help the manager define the problem and to suggest ways that research can help the manager make better decisions.

Defining the problem and research objectives is often the hardest step in the research process. The manager may know that something is wrong without knowing the specific causes. For example, managers of a retail clothing store chain decided that falling sales were caused by poor floor set-up and incorrect product positioning. However, research concluded that neither problem was the cause. It turned out that the store had hired sales persons who weren't properly trained in providing good customer service. Careful problem definition would have avoided the cost and delay of research and would have suggested research on the real problem.

When the problem has been defined, the manager and researcher must set the research objectives. A marketing research project might have one of three types of objectives. Sometimes the objective is exploratory—to gather preliminary information that will help define the problem and suggest hypotheses. Sometimes the objective is descriptive—to describe things such as the market potential for a product or the demographics and attitudes of consumers who buy the product. Sometimes the objective is casual—to test hypotheses about cause-and-effect relationships.

DEVELOPING THE RESEARCH PLAN

The second step of the marketing research process calls for determining the information needed, developing a plan for gathering it efficiently, and presenting the plan to marketing management. The plan outlines sources of secondary data and spells out the specific research approaches, contact methods, sampling plans, and instruments that researchers will use to gather primary data.

A marketing researcher can gather secondary data, primary data, or both. Primary data consists of information collected for the specific purpose at hand. Secondary data consists of information that already exists somewhere, having been collected for another purpose. Sources of secondary data include internal sources such as profit and loss statements, balance sheets, sales figures, and inventory records; and external sources such as government publications, periodicals, books, and commercial data. Primary data collection requires more extensive research, more time, and more money. Secondary sources can sometimes provide information that is not directly available or would be too expensive to collect.

Secondary data also present problems. The needed information may not exist. Researchers can rarely obtain all the data they need from secondary sources. The researcher must evaluate secondary information carefully to make certain of its relevance (fits research project needs), accuracy (reliably collected and reported), currency (up to date enough for current decisions), and impartiality (objectively collected and reported). Researchers must also understand how secondary sources define basic terms and concepts, as different sources often use the same terms but mean slightly different things, or they attempt to measure the same thing but go about it in different ways. Either way, the result can be that statistics found in secondary sources may not be as accurate or as relevant as they appear on the surface.

RESEARCH APPROACHES

Observational research is the gathering of primary data by observing relevant people, actions, and situations. Observational research can be used to obtain information that people are unwilling or unable to provide. In some cases, observation may be the only way to obtain the needed information.

Survey research is the approach best suited for gathering descriptive information. A company that wants to know about people's knowledge, attitudes, preferences, or buying behavior can often find out by asking them directly. Survey research is the most widely used method for primary data collection, and it is often the only method used in a research study. The major advantage of survey research is its flexibility. It can be used to obtain many different kinds of information in many different marketing situations. In the early and mid-1980s, some cola companies created a taste test against their competitors. This is an example of survey research.

Participants were allowed to taste different cola brands without knowing which was which. The participant then decided which brand was preferred.

Whereas observation is best suited for exploratory research and surveys for descriptive research, experimental research is best suited for gathering causal information. Experiments involve selecting matched groups of subjects, giving them different treatments, controlling unrelated factors, and checking for differences in group responses. Thus, experimental research tries to explain cause-and-effect relationships.

RESEARCH CONTACT METHODS

Research may be collected by mail, telephone, e-mail, fax, or personal interview. Mail questionnaires can be used to collect large amounts of information at a low cost per respondent. Respondents may give more honest answers to more personal questions on a mail questionnaire than to an unknown interviewer in person or over the phone. However, mail questionnaires lack flexibility in that they require simply worded questions. They can also take a long time to complete, and the response rate—the number of people returning completed questionnaires—is often very low.

Telephone interviewing is the best method for gathering information quickly, and it provides greater flexibility than mail questionnaires. Interviewers can explain questions that are not understood. Telephone interviewing also allows greater sample control. Response rates tend to be higher than with mail questionnaires. But telephone interviewing also has its drawbacks. The cost per respondent is higher than with mail questionnaires, people may regard a phone call as more of an inconvenience or an intrusion, and they may not want to discuss personal questions with an interviewer. In the latter part of the 1990s, laws were also passed to guard against the invasion of privacy. If a person wishes to be taken off a solicitation or interview list, companies can be sued if they persist in calling.

Personal interviewing consists of inviting several people to talk with a trained interviewer about a company's products or services. The interviewer needs objectivity, knowledge of the subject and industry, and some understanding of group and consumer behavior. Personal interviewing is quite flexible and can be used to collect large amounts of information. Trained interviewers can hold a respondent's attention for a long time and can explain difficult questions. They can guide interviews, explore issues, and probe as the situation requires. The main drawbacks of personal interviewing are costs and sampling problems. Personal interviews may cost three to four times as much as telephone interviews.

SAMPLING PLAN

Marketing researchers usually draw conclusions about large groups of consumers by studying a relatively small sample of the total consumer population. A sample is a segment of the population selected to represent the population as a whole. Ideally, the sample should be representative so that the researcher can make accurate estimates of the thoughts and behaviors of the larger population. If the sample is not representative, it may lead the company to draw the wrong conclusions and misuse its resources.

The marketing researcher must design a sampling plan, which calls for three decisions:

1. Sampling unit—determining who is to be surveyed. The marketing researcher must define the target population that will be sampled. If a company wants feedback on a new basketball shoe, it would be wise to target active players and even professional players.
2. Sample size—determining the number of people to be surveyed. Large samples give more reliable results than small samples. Samples of less than 1 percent of a population can often provide good reliability, given a credible sampling procedure. Most commercial samples consist of between several hundred and several thousand respondents.
3. Sampling procedure—determining how the respondents should be chosen. To obtain a representative sample, a probability (random) sampling of the population should be drawn. This is a means of determining who is reached by the survey to ensure they are indeed a valid cross-section of the sampling unit. Choosing passersby on a street corner, for example, would not produce a random sample, whereas allowing a computer to pick names randomly from a relevant calling list probably would (depending on how the list was

compiled). Probability sampling allows the calculation of confidence limits for sampling error.

RESEARCH INSTRUMENTS

In collecting primary data, marketing researchers have a choice of two main research instruments—the questionnaire and mechanical devices. The questionnaire is by far the most common instrument. A questionnaire consists of a set of questions presented to a respondent for his or her answers. In preparing a questionnaire, the marketing researcher must decide what questions to ask, the form of the questions, the wording of the questions, and the ordering of the questions. Each question should be checked to see that it contributes to the research objectives.

Although questionnaires are the most common research instrument, mechanical instruments are also used. Two examples of mechanical instruments are people meters and supermarket scanners. These techniques are not widely used because they tend to be expensive, require unrealistic advertising exposure conditions, and are hard to interpret.

COLLECTING THE INFORMATION

The researcher must now collect the data. This phase is generally the most expensive and the most liable to error. In the case of surveys, four major problems arise. Some respondents will not be at home and will have to be replaced. Other respondents will refuse to cooperate. Still others will give biased or dishonest answers. Finally, some interviewers will occasionally be biased or dishonest.

CHARACTERISTICS OF GOOD MARKETING RESEARCH

Following are the characteristics of good marketing research

1. Scientific method- Effective marketing research uses the principles of the scientific method: careful observation, formulation of hypotheses, prediction, and testing.
2. Research creativity- At its best, marketing research develops innovative ways to solve a problem.

3. Multiple methods- Competent marketing researchers shy away from over-reliance on any one method, preferring to adapt the method to the problem rather than the other way around. They also recognize the desirability of gathering information from multiple sources to give greater confidence.
4. Interdependence of models and data - Competent marketing researchers recognize that the facts derive their meaning from models of the problem. These models guide the type of information sought and therefore should be made as explicit as possible.
5. Value and cost of information - Competent marketing researchers show concern for estimating the value of information against its cost. Value/cost evaluation helps the marketing research department determine which research projects to conduct, which research designs to use, and whether to gather more information after the initial results are in. Research costs are typically easy to quantify, while the value is harder to anticipate. The value depends on the reliability and validity of the research findings and management's willingness to accept and act on its findings. In general, the most valuable information tends to cost the most because it requires more intensive methods, but of course it is easy to spend a great deal of money on poorly conceived research.
6. Healthy skepticism - Competent marketing researchers will show a healthy skepticism toward assumptions made by managers about how the market works.
7. Ethical marketing- Most marketing research benefits both the sponsoring company and its consumers. Through marketing research, companies learn more about consumers' needs, and are able to supply more satisfying products and services. However, the misuse of marketing research can also harm or annoy consumers. There are professional ethical standards guiding the proper conduct of research.

PRESENTING THE RESEARCH PLAN

The last step in market research is the presentation of a formal plan. At this stage, the marketing researcher should summarize the plan in a written proposal to management. A written proposal is especially important when the research project will be large and complex or when an outside firm carries it out. The proposal should cover the management problems addressed and the research objectives, the information to be obtained, the sources of secondary information or methods for collecting primary data, and the way the results will help management decision making. A written research plan or proposal makes sure that the marketing manager and researchers have considered all the important aspect of the research and that they agree on why and how the research will be done.

MANAGEMENT'S USE OF MARKETING RESEARCH

In spite of the rapid growth of marketing research, many companies still fail to use it sufficiently or correctly. Several factors can stand in the way of its greater utilization.

1. A narrow conception of marketing research. Many managers see marketing research as only a fact-finding operation. The marketing researcher is supposed to design a questionnaire, choose a sample conduct interviews, and report results, often without being given a careful definition of the problem or of the decision alternatives facing management. As a result, some fact finding fails to be useful. This reinforces management's idea of the limited usefulness of some marketing research.
2. Uneven caliber of marketing researchers. Some managers view marketing research as little better than a clerical activity and reward it as such. Poorly qualified marketing researchers are hired, and their weak training and deficient creativity lead to unimpressive results. The disappointing results reinforce management's prejudice against expecting too much from marketing research. Management continues to pay low salaries, perpetuating the basic difficulty.
3. Late and occasional erroneous findings by marketing research. Managers want quick results that are accurate and conclusive. But good marketing research takes time and money. If they can't perceive the difference between quality and shoddy research, managers become disappointed, and they lower their opinion of the value of marketing research. This is especially a problem in conducting marketing research in foreign countries.

4. Intellectual differences. Intellectual divergences between the mental styles of line managers and marketing researchers often get in the way of productive relationships. The marketing researcher's report may seem abstract, complicated, and tentative, while the line manager wants concreteness, simplicity, and certainty. Yet in the more progressive companies, marketing researchers are increasingly being included as members of the product management team, and their influence on marketing strategy in growing.

Strategic Management and Accountability

What is Accountability?

Put simply, accountability is the same thing as responsibility – responsibility to a person or group of people. Accountability is used to make sure people do the things they should, and don't do the things they shouldn't.

Accountability is not a new idea but, unfortunately, it is often neglected through lack of attention to communication activities. The importance of accountability cannot be underestimated. Corruption, fraud, theft and apathy cannot be tolerated. By developing and maintaining an accountability policy and program, you will be taking important steps to ensure a positive future for you, your community and your organization. Accountability programs can be surprisingly easy to implement, and after a brief look at different types of accountability, we will examine some of the methods for introducing accountability policies and tie them to your organization's strategic objectives.

Types of Accountability

There are different types of accountability. Four types are specifically relevant to First Nations:

- Political/Managerial
- Program or Administrative
- Fiscal
- Individual Stakeholder or Member

The first three types will be dealt with. The accountability of a member or stakeholder in terms of their community or organizational responsibilities requires further debate and examination, and is not covered in this publication.

Political and Managerial Accountability

Political accountability is the need for political leaders to work ethically, in the best interests of the citizens they represent. "Among the diverse traditions of First Nations, there are a variety of customs and practices for ensuring the political accountability of First Nations leaders to the community. Elections, traditional governing practices, and open community meetings are some examples." Aboriginal governments and institutions should be fully accountable to their citizens for all decisions made and actions taken.

Likewise, managers must be ethical and accountable to their employees, customers, members and other stakeholders. Beyond political representation, managers are accountable for all aspects of running an organization. From managing spending to the overall success of the enterprise/program, managers must take responsibility for all aspects of their organizations.

Program or Administrative Accountability

As an organization undertakes its various projects and duties, some duties may go unaccomplished. To prevent project failure, or to ensure the efficient day-to-day operation of an organization, program and administrative accountability policies governing staff and volunteers should be developed and implemented. This can often be accomplished by having a strategic management model that uses performance measurement to accommodate accountability requirements.
Financial Accountability

The Aboriginal Financial Officers Organization of Canada is encouraging its members and many Aboriginal organizations through education and training to assess their accountability practices and develop fiscal by-laws, policies and systems based on the principles of transparency, disclosure and redress. These principles are consistent with other governments in Canada, and are appropriate to traditions. Strong financial accountability practices that stress community information-sharing and the rights and obligations of stakeholders are essential practices. Financial accountability ensures that funds are being directed to the appropriate projects and are used for the purposes intended.
Elements of Accountability

Any accountability program must contain the following three elements to be successful:

• Transparency–Decisions and the processes of making decisions are open and transparent;

• Disclosure –Information on administrative policies and standards is readily obtainable by stakeholders; and

• Redress –Procedures for review, including appeal mechanisms are in place.

The Accountability Cycle

Everyone is responsible for accountability: governments, corporations, the Assembly of First Nations, First Nations, organizations, and individuals. There is an obligation to ensure the integrity and honesty of representatives and an obligation to ensure that they work with honesty and integrity for the people being represented.

The issue of redress is especially important in organizations where the manager or Chief has considerable power. If the Chief or Council cannot be forced to comply with the wishes of the community through fiscal, political or managerial practices, such as audits, elections or termination of employment, redress cannot be taken. That is why it is essential to ensure that everyone in the organization is accountable to someone else.

Three Major Components of an Accountability Program

In addition to the three elements of accountability and the accountability cycle, there are three major components to any effective accountability program:

- Planning and Performance Reporting

- Policies and Procedures

- Roles and Responsibilities

Planning and Performance Reporting

"How do you measure accountability?" It is a natural question to ask, but it is not so much accountability that is measured, but rather, were the results that were planned achieved? This is where planning and performance reporting comes in. Performance reporting starts with the strategy formulation component of a strategic management model. By measuring the performance of individuals/programs to the development and outcomes of strategies and supportive business plans, areas needing improvement will be identified.

Establishing strategic direction and supportive business plans represents a firm commitment to making change and achieving specific performance within a specific time frame. When strategic direction has been set, progress can be measured to the set strategies. Strategic direction may change as new issues arise, and measurement requirements may need to change. Throughout the implementation of any business/program plan, reporting on successes and failures should occur on a regular basis. These reports should be shared with all those concerned. This is important, because it allows all concerned to see where improvements can be made.

The steps to effective performance reporting:

1. Transparency

- Develop an Annual Strategic Plan and Business Plan, include all programs and share the information with stakeholders.

2. Disclosure

• Provide occasional detailed program evaluation studies, or other reports that relate to strategy and business plans, reporting any successes or failures. Make these reports available to stakeholders.

• Prepare a Project Completion Report, an Annual Performance Report, regular Activity Plan Reports, or an Annual Financial Report. Make these reports available to anybody who is interested in them. These reports can also be used as guidelines when other people try similar projects.

3. Redress

• Hold consultations with stakeholders to see if the targeted performance indicators or project are meeting expectations.

• Be prepared to hear concerns. If people might not be comfortable voicing their concerns directly, give them an option where they can raise the concerns confidentially, not directly to the person in charge.

Policies and Procedures

Official policies regarding work procedures go a long way towards ensuring accountability. These policies and procedures should be developed with all affected stakeholders, improved if they are found lacking in certain areas, and posted so anyone can view or review them. It is important to provide an orientation to those being exposed to the policy and procedures for the first time or have not been involved for several years.

Again, the three components to any accountability program: transparency, disclosure, and redress, must be acknowledged for the following to work:

• Program Policies

• Administrative Appeal/Grievance Procedures

• Financial Administration Policies

• Access to Information Procedures

• Conflict of Interest Guidelines

• Code of Ethics

• Elections Code

• Community Consultation Procedures

• Contracts

Roles and Responsibilities

What is the organization responsible for? Organization strategic direction should always be kept in mind. This involves a regular review of the strategy and business plans. If the business plans do not match the strategic direction of the organization, do not provide any recognizable benefit to the stakeholders, and detract in any way from the duties that the organization should be performing, the business plan should be adjusted and resources directed to activities consistent with the organization's strategic direction.

By developing an organizational structure, it is clear as to whom committees or employees report, and to whom they are accountable. Most important are the roles and responsibilities of the people involved with the organization. What is the Financial Officer responsible for? What duties should the project or department managers is performing to ensure the continued success of the organization? By developing job descriptions and making them accessible to employees, they can be sure they are doing the duties that are required of them, and managers can use the job descriptions as a reference when doing employee evaluations. Job descriptions should be reviewed at least annually with input from the person who has that particular job. For First Nations, Chief and Council portfolio responsibilities these should be clarified, documented and, just like the other Roles and Responsibilities devices, should be made readily accessible to all stakeholders.

By developing a First Nation's strategic direction, organizational structure, job descriptions and Chief and Council portfolio responsibilities with community members, will help meet the transparency requirement. By communicating them to all stakeholders and having them readily accessible for those who wish to review them, you meet the disclosure requirement. Stakeholders can then monitor the quality of work accomplished. It is desirable that a First Nation has a system for redress. This may be a formal appeals process, an ombudsman or regular community meetings. It is important that community members' concerns are addressed. Letting members have a say is important to any accountability program. Allowing members to see that leadership is listening to their concerns and are taking measures to correct the problem is the most important part of any accountability program. It gives members a sense of "ownership" over the progress and success of the First Nation, and will guarantee the First Nation's continued success.

Putting a Program in Place

Accountability programs should take as much work as necessary to ensure the success of the First Nation. They should not put an unreasonable burden or constraint on anyone unnecessarily. Instead, accountability should become an everyday part of life within the First Nation. Accountability programs should be no less stringent than those of other governments and institutions of comparable size.

For example, financial records and statements should comply with generally accepted accounting principles, although they need not be identical in all respects.

Aboriginal governments and organizations must develop rules with respect to conflict-of-interest for both elected and appointed officials. Conflict of interest rules must ensure that services that provide an opportunity for financial gain operate at arm's length from elected and appointed officials. Regular audits from independent bodies are highly advisable for any accountability program. This may involve hiring a consultant for the operational aspects of a First Nation, or may involve hiring an auditor to review the fiscal operations.

Do not expect a new accountability program to be an immediate success. As with any new program, an accountability program will require continued attention and, as with any change to the operation of the organization, there will be opponents to the plan. When the program is in place, if people are not fulfilling the duties of their job, it may not be necessary to reprimand them. Perhaps they require more resources to get the job done. Perhaps they don't have the necessary knowledge and skills, or perhaps they need direction or the proper motivation. Help them take the necessary steps to get the job done. Don't leave them out in the cold.

Accountability happens when leaders make it happen. The sooner checks and balances are developed; the sooner leaders can reap the benefits of accountability. However, it takes more than one person saying to another, "You are now responsible for this and that." Developing and maintaining accountability programs is a team effort on the part of staff and Council. Mechanisms to ensure political and managerial accountability must be developed, approved by a Council, reflected in plans, policy, procedures, and job descriptions, and openly shared with everyone connected to the organization. Mechanisms selected should be built into a strategic management model to ensure planning, implementation and evaluation activities are connected to the mechanisms. By sharing information on strategic direction and business/program plans and related accountability mechanisms, members of the community will let the leadership know when the First Nation is not fulfilling its objectives or recognize the leadership's achievements.

Steps to Improve Your Marketing Accountability

There are two things every marketer can do to improve their accountability. First, ensure the link between marketing objectives and the associated programs, tactics and activities are directly linked to specific quantifiable business outcomes. Second, demonstrate the value of marketing by setting, monitoring and reporting on relevant measurable marketing objectives, metrics and performance targets to the leadership team.

Easier said than done you think? True. But these five initial steps will go a long way toward enabling you to start and accelerate this important journey.

1. **Conduct an audit to identify alignment, data and process gaps.**
   It's hard to know where to go and where to aim if you don't know your current state. Use the audit to identify and add the right talent, systems, and tools to help automate marketing processes and improve marketing performance. Assess the crucial data, analytical and measurement skills your team needs and provide training.
2. **Create and adopt a performance measurement and management strategy, system and metrics and measurement framework that align marketing with the business outcomes.**
   Design and select metrics and clear standards of performance that enables marketing to measure its impact, effectiveness, efficiency and value. It's important to understand the select the right metrics. Marketing metrics should tie to our three primary responsibilities: acquiring, keeping and growing the value of profitable customers. Therefore the metrics we select should in some way indicate the impact marketing is having on market share, customer value, and customer equity.
3. **Engage the leadership team and form strategic partnerships with an extended team of finance, IT, sales, service, etc.**
   In 2005 the Tuck School of Business facilitated an executive roundtable with nearly 20 CFOs and CIOs from some of the largest companies in the world, including Cisco, IBM, Eaton, Whirlpool and Citigroup. Why? Because CFOs and CIOs along with other members of the C-Suite "have increasingly become key partners in a variety of initiatives critical to business success." Performance management is one of these critical business initiatives. CFOs

often lead the internal discussion about metrics and performance management. CFOs are also taking the initiative to develop standard, consistent measurements that focus on leading indicators of value creation. CIOs and IT play a major role in creating and maintaining the infrastructure and data needed to support performance management. Marketing accountability is key to performance management. The elevation of their roles plus the leadership team's renewed focus on productivity, business value and performance management require marketing to build bridges and allies finance and IT and engage them and other key members in the marketing performance management journey.

4. **Create and align processes, policies and practices that ensure the linkage between marketing objectives and programs with business results.** As a result the marketing organization will be properly and strategically positioned and pulling in the same direction as the rest of the organization. Organizational development research has shown that proper alignment of people and organization's result in higher productivity for less effort. When you have achieved alignment the link between marketing project, programs and initiatives and the broader company outcomes is explicit. And each member of the marketing team understands the impact of their daily activities on the outcomes. Once you take this step you will be able to prioritize projects based on their value and impact rather than what's most familiar or easiest.
5. **Develop a multi-level dashboard to report performance and results in real-time to facilitate course adjustments and foster decision making**. Make your marketing dashboard an iterative and collaborative effort. A good marketing dashboard facilitates decisions. If your marketing dashboard doesn't enable you to make course adjustments, know what is and isn't working, and communicate the value of marketing in financial and strategic impact terms then it's time for a dashboard makeover.

Scenario Planning

In simple terms, scenario planning is a "strategic planning method expressly developed to test the viability of alternative strategies," according to Mal Warwick's *Fundraising When Money is Tight*. Warwick suggests six steps for creating an effective scenario plan, starting with asking yourself, "What keeps you awake at night?" to draw out fundamental issues, and concluding with tests of your strategic choices using "what-if" reasoning.

According to Global Business Network, this provides scenario-based consulting and training to all types of organizations:

Scenarios are not predictions. Rather, they are plausible accounts of how relevant external forces — such as the future political environment, scientific and technological developments, social dynamics, and economic conditions — might interact and evolve in the future.

In scenario planning, an organization typically creates three or four scenarios that capture a range of possibilities; examines the opportunities and threats that each may bring; and makes short- and long-term strategic decisions based on these analyses.

Contingency Planning

On the other hand, a contingency plan is your organization's "Plan B" or "worst case scenario" plan. Also called a business continuity plan or disaster recovery plan, it creates an organized and coordinated set of steps to be taken if an emergency or disaster strikes. Examples of emergency or disaster include: natural disasters, like hurricanes; crime, like arson; or economic conditions, like a recession.

Contingency planning is done to avoid or minimize damage, loss or injury, and to ensure that the organization's key operations continue. According to The Bridgespan Group, a nonprofit strategy consulting and executive search firm:

Having Plans B, C, and D in place and knowing when to move to each can mean the difference between pacing your organization through a marathon and a slippery slide into financial and organizational exhaustion.

How to craft contingencies? Many organizations start by asking themselves what they would do if they had to cut their budget by 10 percent, by 20 percent, and even by 30 percent.

They also specify the tripwires that would cause them to move from Plan A to Plan B, C, or D: an X percent fall in fee-for-service revenues, for instance, or a Y percent drop in donations or foundation funding, or a Z percent decrease in the organization's cash reserves.

Segmentation, Targeting and Positioning (STP) to develop marketing strategies

Today, Segmentation, Targeting and Positioning (STP) are a familiar strategic approach in Modern Marketing. It is one of the most commonly applied marketing models in practice. In our poll asking about the most popular marketing model it is the second most popular, only beaten by the venerable SWOT / TOWs matrix. This popularity is relatively recent since previously, marketing approaches were based more around products rather than customers. In the 1950s, for example, the main marketing strategy was 'product differentiation'.

The STP model is useful when creating marketing communications plans since it helps marketers to prioritize propositions and then develop and deliver personalised and relevant messages to engage with different audiences. This is an audience rather than product focused approach to communications which helps deliver more relevant messages to commercially appealing audiences. The diagram below shows how plans can have the flow from

STP is relevant to digital marketing too, where applying marketing personas can help develop more relevant digital communications as shown by these alternative tactical customer segmentation approaches.

In addition, STP focuses on commercial effectiveness, selecting the most valuable segments for a business and then developing a marketing mix and product positioning strategy for each segment.

How to use STP?

Through segmentation, you can identify niches with specific needs, mature markets to find new customers, deliver more focused and effective marketing messages.

The needs of each segment are the same, so marketing messages should be designed for each segment to emphasize relevant benefits and features required rather than one size fits all for all customer types. This approach is more efficient, delivering the right mix to the same group of people, rather than a scattergun approach.

You can segment your existing markets based on nearly any variable, as long as it’s effective as the examples below show:

Well known ways to segment your audience include:

1. Demographics

Breakdown by any combination: age, gender, income, education, ethnicity, marital status, education, household (or business), size, length of residence, type of residence or even profession/Occupation.

An example is Firefox who sell 'coolest things', aimed at younger male audience. Though, Moshi Monsters however is targeted to parents with fun, safe and educational space for younger audience.

2. Psychographics

This refers to 'personality and emotions' based on behaviour, linked to purchase choices, including attitudes, lifestyle, hobbies, risk aversion, personality and leadership traits, magazines read and TV.

An example is Virgin Holidays who segment holidays into 6 groups.

3. Lifestyle

This refers to Hobbies, recreational pursuits, entertainment, vacations, and other non-work time pursuits.

Companies such as on and off-line magazine will target those with specific hobbies i.e. Four Two for football fans.

4. Belief and Values

It Refers to Religious, political, nationalistic and cultural beliefs and values.

The Islamic Bank of Britain offers Sharia compliant banking which meets specific religious requirements.

5. Life Stages

Life Stages is the Chronological benchmarking of people's lives at different stages.

An example is Saga holidays which are only available for people aged 50+. They claim a large enough segment to focus on this life stage.

6. Geography

Drill down by Country, region, area, metropolitan or rural location, population density or even climate.

An example is Neiman Marcus, the up market department store chain in the USA now delivers to the UK.

7. Behaviour

It refers to the nature of the purchase, brand loyalty, usage level, benefits sought, distribution channels used, and reaction to marketing factors.

In a B2B environment, the benefits sought are often about 'how soon can it be delivered?' which includes the 'last minute' segment - the planning in advance segment.

An example is Parcelmonkey.co.uk who offers same day, next day and international parcel deliveries.

8. Benefit

Benefit is the use and satisfaction gained by the consumer.

Smithson Stationary offer similar products to other stationery companies, but their clients want the benefit of their signature packaging: tissue-lined Nile Blue boxes and tied with navy ribbon!

Market Targeting

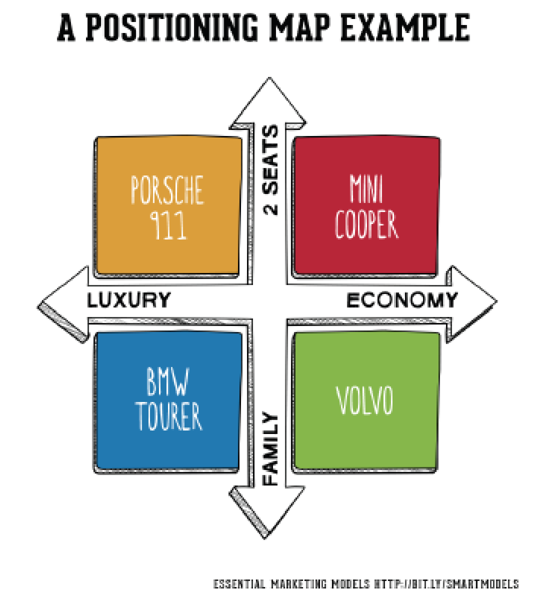
The list below refers to what's needed to evaluate the potential and commercial attractiveness of each segment.

- **Criteria Size:** The market must be large enough to justify segmenting. If the market is small, it may make it smaller.
- **Difference:** Measurable differences must exist between segments.
- **Money:** Anticipated profits must exceed the costs of additional marketing plans and other changes.
- **Accessible:** Each segment must be accessible to your team and the segment must be able to receive your marketing messages
- **Focus on different benefits:** Different segments must need different benefits.

Product Positioning

Positioning maps are the last element of the STP process. For this to work, you need two variables to illustrate the market overview.

In the example here, I've taken some cars available in the UK. This isn't a detailed product position map, more of an illustration. If there were no cars in one segment it could indicate a market opportunity.



Definitions of segmentation, targeting and positioning

Market segmentation can be defined as:

"The process of splitting a market into smaller groups with similar product needs or identifiable characteristics, for the purpose of selecting appropriate target markets is Market Segmentation."

Targeting (or target market selection) refers to:

An organization's proactive selection of a suitable market segment (or segments) with the intention of heavily focusing the firm's marketing offers and activities towards this group of related consumers.

Product Development

Product development is the **creation of a new or different product** that offers innovative new benefits to the end user. This includes both the creation of an entirely new product and modifications to an existing product. These changes or new introductions may be targeting a newly defined customer requirement or a niche category in the market.

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A product can be defined as a collection of benefits that can be either tangible such as a physical item or intangible such as a service or experience. The new product development process involves two simultaneous activity paths. One of these focuses on extensive market research and analysis while the other deals with generating ideas, design of the product and detail engineering.

New product development is the first stage in the product life cycle management process, the strategic process that is used to manage products and market share. An effective product development process helps a company to:

- Grow through the creation of new business opportunities
- Boost profitability for stakeholders
- Increase customer satisfaction through better products meeting specific needs

TWO APPROACHES FOR MANAGING PRODUCT DEVELOPMENT

There have been several approaches to managing an effective new product development process. One such method is the Fuzzy Front End (FFE) followed by a more formal Stage Gate process. The FFE is a more chaotic early stage process, where the concept is defined. The Stage Gate is a more formal step by step process where the concept is formalized and managed systematically.

a. Fuzzy Front End (FFE)

Defined by Koen, the fuzzy front end includes the chaotic, unpredictable, and unstructured activities that precede a more formal new product development process. This is stage after an opportunity has been realized and before a formal product development process is deemed ready. Here, a concept may be generated and then the decision made regarding the feasibility of this concept and whether it is worthy of further investment of resources.

Practically, the FFE may not be a formal or detailed part of the product development process. However, it may end up taking up to half the total development time and this is the point where serious commitments regarding time, investment and the nature of the envisioned end product are decided. Because of this, it sets the direction for the whole project and the product. This is why the importance of this phase cannot be overlooked and it should be included in the overall projected product development cycle time.

In no particular order, Koen mentions **five different elements** of the front end. These are:

Identification of Design Criteria

In a semi structured manner, both large and incremental business and technological chances are identified. Based on criteria / guidelines decided here, new projects / products will be assigned resources and a structured development strategy can begin to be established

Idea Analysis

Identified ideas are converted to implications for business context relevant to the company. Market research and studies as well as some basic trials may be conducted at this point to understand how the concept will translate into a solution for the customer

Concept Genesis

Through an incremental and iterative process, the identified idea is taken birth to a mature tangible concept. The process followed here can be formulated internally or externally through a specific customer request or a unique material availability from a supplier

Prototype

Does the concept of idea reached here make business sense and does it have business value? Positive answers to these questions lead to the decision to purse the creation of the prototype of the product and negative answers may end the process right here to be started again from the beginning

Product Development

Based on factors such as available market share, customer requirements, investment needed, competitor analysis etc., a business case can now be developed. This is often treated as the first step of the formal product development process.

There is no formal or universal definition of the Fuzzy Front End. Neither is there a clear framework of how it works. Generally, it is said to encompass tasks such as strategic planning, generating concepts and pre-technical evaluations. These activities are not set in any formal framework, but flow in an unpredictable, unstructured and often chaotic manner. Despite this, it can be a valuable and often vital lead into a successful product development activity.

b. Eight Stage Gate Process for New Product Development

Often known as the stage gate process, this 8 stage framework was developed by Robert G. Cooper after extensive research product success and failure. Since product developments often include big or small teams and may require substantial investment, following a structured and formal process may help maximize the probability of a successful product and mitigate the risk of failure. This process can also help keep everyone on the development team structured and on the same page.

The 8 stages in this process are:

Idea Generation

At this stage, a product development team will take the concept narrowed down in the fuzzy front end and work on brainstorming this concept into concrete ideas for products. It is necessary to employ strong analyses to identify current market trends and available solutions, understand customer behavior and needs, and identify areas of opportunity. This information will help keep ideas focused and relevant. Some tools that can help this analysis include a basis internal and external SWOT analysis, study of market and customer trends, competitor analysis, focus groups, sales staff and other employees, and information from trade shows. It is also helpful for the team to keep important aspects of the future product in mind such as how lean it is, how scalable it is and how much return can it generate. There may be many ideas at this point, which will be analyzed in detail in the next stage.

Idea Screening

At this stage, the task is to remove ideas that do not make strong business sense. A set criteria should be decided against which each idea will be evaluated and discussed. There should be as little deviation as possible from this criteria so that no extra time is spent debating unsuitable ideas. Some questions that can be asked at this stage include

- Will the target audience benefit from this product?
- What is the size of this target audience and is there a growth forecast?
- Is there existing competitor presence or is it anticipated?
- Are the industry and market trends positive?
- Does it make technical sense to manufacture the proposed product?
- Will the product be profitable?
- Will it be acceptable to the customer at target price?

Concept Development and Testing

At this stage, the legal and practical aspects of developing and launching the new product are studied. It is pertinent to investigate all intellectual property and patent issues to prevent later infringement issues. An understanding of the marketing message and marketing details will also help streamline and focus the process moving forward. Identifying the target market, purchase decision makers, product features, potential benefits and consumer reactions to the product are some important marketing related points. In addition, design details and their technical requirements as well as cost effective production are also vital considerations.

Business Analysis

Once marketing and design details are evaluated and understood, it is now time to conduct a business analysis to assess product profitability potential. It is important to estimate as close to reality as possible the likely sale price, based on competitor analysis results and consumer focus group or survey data. It is also necessary to workup sales volumes based on market size and relevant tools. And based on this, profitability and a break-even point can be identified.

Beta Testing and Market Testing

At this point, it is now time to manufacture an actual prototype or a close mockup. The product, and ideally the packaging, should now be tested in true to life usage conditions. This can be done through focus groups, interviews, introductions at tradeshows. The feedback that is generated can help identify redundant features or those that create no real value and any hitches in the user experience. Necessary adjustments can now be made. As further testing, an initial trial market can be identified and a small scale launch conducted to further assess acceptance by the target user group.

Technical Implementation

At this stage, the technical teams will finalize the quality management system. They will also work out the resource requirements, plan engineering operations and create department schedules. Technical communications and requirements can be published to create a record. Suppliers should be brought on board and logistics worked out. A system for regular reviews of the project as well as contingency and risk mitigation plans should also be drawn up.

Product Launch

The product is ready for launch at this stage. Necessary advertising and marketing communications strategies are set into motion and the distribution channel is loaded up to ensure consistent product availability. The product should be monitored for usage feedback with consistent technical support available if applicable. In order to help convert undecided consumers into actual buyers, the marketing communications and brand presence need to be strong, relevant, visible and updated.

New Product Pricing and Post Launch Review

At this point, a review of the entire process is a good idea to identify best practices and areas of improvement. The impact of this new product on the entire product portfolio should also be evaluated. An external and internal value analysis will help understand the impact of the product. The product may have been launched at an introductory price and it may now be time to decide upon an actual pricing strategy. This can be done after assessing consumer response, competitor response and product costs. A forecast of unit volumes, revenue and profit will also add value. An ongoing mechanism needs to be put in place to evaluate changing customer needs and market trends to ensure that the product stays relevant and competitive as consumers grow older and change preferences.

2. POINTS TO REMEMBER

It is important to note that the product development process is a fluid and evolving one. Some steps may need to be iterated while others may be eliminated altogether. In the interest of quicker time to market, some companies may run several steps simultaneously.

There must be an understanding that ideas may get trashed and some of these may be exciting and innovative but wrong for what is presently required. The company must also be prepared for losses and have a risk mitigation or market exit strategy planned in advance to avoid being caught off guard.

A Balanced Team

The product development process ideally needs both technical or engineering and marketing or business expertise. The best way to achieve this is to create a specialized cross functional team and give it end to end responsibility for the product. This means that the team will be working on idea generation all the way to commercialization and post launch reviews. If the industry requires extensive and expensive R&D, then a collaboration among different companies may help spread out costs and risks associated with a new product as well as provide access to a wider variety of skills and experience. In any case, it is vital that the team work in close collaboration to ensure the successful development and launch of the new product. With clear goals, the team can ensure that the product development process is productive and relevant.

A Proactive Process

New product development is increasingly seen as a proactive process by senior management. There is an effort to identify changes in market trends and seize opportunities for new products before a need for them is explicitly present or before a competitor reaches it. This allows time to perfect and plan a product's development and launch in detail and allows risk mitigation and planning. If a more reactive methodology is adopted then, there will always be a rush to catch up which may lead to a substandard product or a poorly planned launch. New product development should be seen as a form of continuous development where the entire company is alert towards potential opportunities.

3. OTHER PRODUCT DEVELOPMENT TECHNIQUES

Scrum

SRUM is a simple framework that allows teams to collaborate effectively on complex projects. Through this methodology, product development occurs in small pieces. Each piece builds up on a previously created piece. Working on one small piece at a time encourages the creative process and allows teams to incorporate feedback and make changes as well as to create only what is needed.

Through a small set of rules, basic structure is provided to the teams to allow them to focus innovation on finding solutions to what might other be an extremely daunting challenge.

The Scrum process involves three basic roles. These are:

- ***Product Owners*** who finalize what needs to be created
- ***Development teams*** who create what is needed and then demonstrate it after which the next step is determined
- ***Scrum Masters*** who ensure a smooth process and work on process improvement, team development and product quality

Competitive Strategies

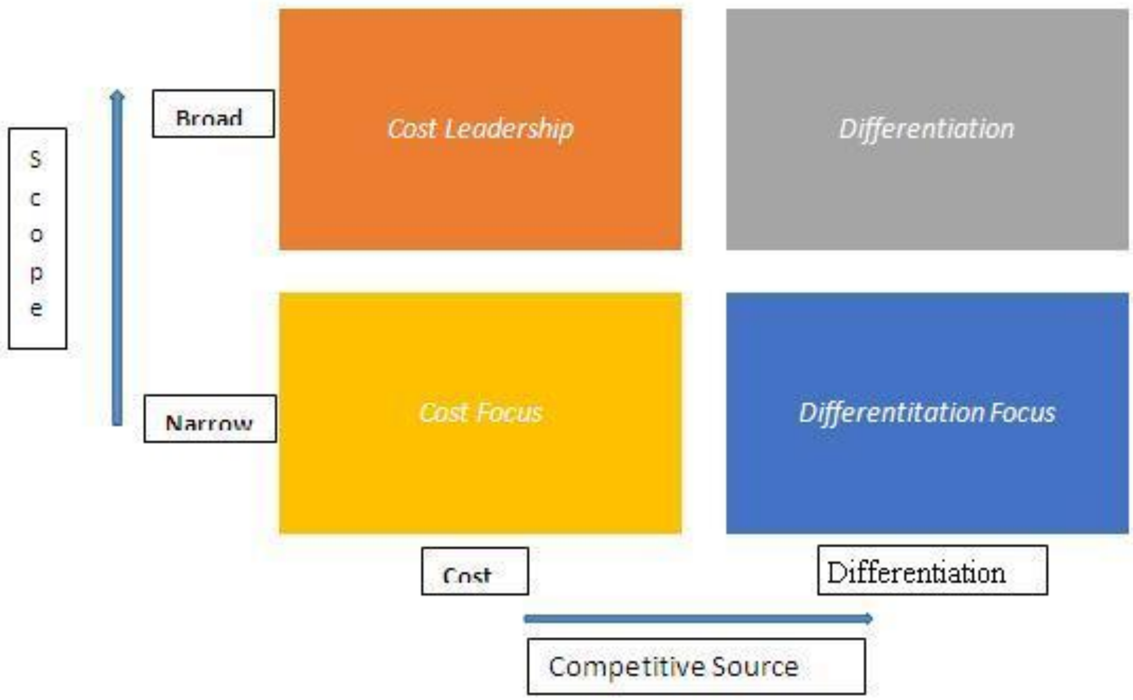
Competitive strategies are the method by which you achieve a **competitive** advantage in the market. There are typically three types of **competitive strategies** that can be implemented. They are cost leadership, differentiation and a focus **strategy**.

Competitive Strategy

Competitive Strategy is defined as the long term plan of a particular company in order to gain competitive advantage over its competitors in the industry. It is aimed at creating defensive position in an industry and generating a superior ROI (Return on Investment). Such type of strategies plays a very important role when industry is very competitive and consumers are provided with almost similar products. One can take example of mobile phone market.

Before devising a competitive strategy, one needs to evaluate all strengths, weaknesses, opportunities, threats in the industry and then go ahead which would give one a competitive advantage.

According to Michael Porter, competitive strategy is devised into 4 types:



1. Cost Leadership

Here, the objective of the firm is to become the lowest cost producer in the industry and is achieved by producing in large scale which enables the firm to attain economies of scale. High capacity utilization, good bargaining power, high technology implementation is some of factors necessary to achieve cost leadership.

E.g. Micromax mobile phones

2. Differentiation leadership

Under this strategy, firm maintains unique features of its products in the market thus creating a differentiating factor. With this differentiation leadership, firms target to achieve market leadership. And firms charge a premium price for the products (due to high value added features)

Superior brand and quality, major distribution channels, consistent promotional support etc. are the attributes of such products.E.g. BMW, Apple

3. Cost focus

Under this strategy, firm concentrates on specific market segments and keeps its products low priced in those segments. Such strategy helps firm to satisfy sufficient consumers and gain popularity.

E.g. Sonata watches concentrates on lower segment customers by providing

4. Differentiation focus

Under this strategy, firm aims to differentiate itself from one or two competitors, again in specific segments only. This type of differentiation is made to meet demands of border customers who refrain from purchasing competitors' products only due to missing of small features. It is a clear niche marketing strategy.

E.g. Titan watches concentrates on premium segment which includes jewels in its watches. Without following anyone of above mentioned competitive strategies, it becomes very difficult for firms to sustain in competitive industry.

Importance of Pricing in Marketing Strategy

1. Price is the Pivot of an Economy:

In the economic system, price is the mechanism for allocating resources and reflecting the degrees of both risk and competition. In an economy particularly free market economy and to a less extent in controlled economy, the resources can be allocated and reallocated by the process of price reduction and price increase.

Price policy is a weapon to realize the goals of planned economy where resources can be allocated as per planned priorities.

Price is the prime mover of the wheels of the economy namely, production, consumption, distribution and exchange. As price is a sacrifice of purchasing power, it affects the living standards of the society; it regulates business profits and, hence, allocates the resources for the optimum output and distribution. Thus, it acts as powerful agent of sustained economic development.

2. Price regulates demand:

The power of price to produce results in the market place is not equalled by any other component in the product-mix.

It is the greatest and the strongest ‘P’ of the four ‘Ps’ of the mix. Marketing manager can regulate the product demand through this powerful instrument. Price increases or decreases the demand for the products. To increase the demand, reduce the price and increase the price to reduce the demand.

Price has a special role to play in developing countries where the marginal value of money is high than those of advanced nations. De-marketing strategy can be easily implemented to meet the rising demand for goods and services.

As an instrument, it is a big gun and it should be triggered exclusively by those who are familiar with its possibilities and the dangers involved.

It is so because; the damage done by improper pricing may completely sap the effectiveness of the well-conceived marketing programme. It may defame even a good product and fame well a bad product too.

3. Price is competitive weapon:

Price as a competitive weapon is of paramount importance. Any company whether it is selling high or medium or low priced merchandise will have to decide as to whether its prices will be above or equal to or below its competitors. This is a basic policy issue that affects the entire marketing planning process. Secondly, price does not stand alone as a device for achieving a competitive advantage.

In fact, indirect and non-price competitive techniques often are more desirable because, they are more difficult for the competitors to copy. Better results are the outcome of a fine blend of price and non-price strategies. Thirdly, there is close relationship between the product life-cycle and such pricing for competition.

There are notable differences in the kinds of pricing strategies that should be used in different stages. Since the product life span is directly related to the product's competitiveness, pricing at any point in the life-cycle should reflect prevailing competitive conditions.

4. Price is the determinant of profitability:

Price of a product or products determines the profitability of a firm, in the final analysis by influencing the sales revenue. In the firm, price is the basis for generating profits. Price reflects corporate objectives and policies and it is an important ingredient of marketing mix. Price is often used to off-set the weaknesses in other elements of the marketing-mix.

Price changes can be made more quickly than any other changes in the product, channel, and personal selling and sales-promotion includes advertising. It is because; price change is easily understood and communicating to the buyer in a precise way. That is why, price changes are used frequently for defensive and offensive strategies. The impact of price rise or fall is reflected instantly in the rise or fall of the product profitability, thinking that other variables are unaffected.

5. Price is a decision input:

In the areas of marketing management, countless and crucial decisions are to be made. Comparatively marketing decisions are more crucial because, they have bearing on the other branches of business and more difficult as the decision-maker is to shoot the flying game in the changing marketing environment.

Normally, profit or contribution is taken as a base for pay-off conditions. Price can be a better criterion for arriving at cut-off point because; price is the determinant of profit or contribution.

As pointed earlier, price as an indicator has a special role in the decision-making process in developing countries because, consumer response to price changes will be more quick and tangible as people have higher marginal value of money at their disposal. For instance, if it is a decision regarding selecting product improvement possibilities, select that possibility which gives the highest price as compared to the cost.

These five points make product pricing an important and major function of marketing manager. However, until recently, it has been one of the most neglected areas of marketing management.

In fact, we must have a specialist in pricing as we do have in other functions of marketing. This negligence is quite evident from the fact that even the well-known companies in the world price their products on simple concepts of costs market position competition and desired profit. Scientific pricing is much more than this easy exercise.

COST-VOLUME-PROFIT ANALYSIS

Cost-volume-profit analysis looks primarily at the effects of differing levels of activity on the financial results of a business

In any business, or, indeed, in life in general, hindsight is a beautiful thing. If only we could look into a crystal ball and find out exactly how many customers were going to buy our product, we would be able to make perfect business decisions and maximise profits.

Take a restaurant, for example. If the owners knew exactly how many customers would come in each evening and the number and type of meals that they would order, they could ensure that staffing levels were exactly accurate and no waste occurred in the kitchen. The reality is, of course, that decisions such as staffing and food purchases have to be made on the basis of estimates, with these estimates being based on past experience.

While management accounting information can't really help much with the crystal ball, it can be of use in providing the answers to questions about the consequences of different courses of action. One of the most important decisions that needs to be made before any business even starts is 'how much do we need to sell in order to break-even?' By 'break-even' we mean simply covering all our costs without making a profit.

This type of analysis is known as 'cost-volume-profit analysis' (CVP analysis) and the purpose of this chapter is to cover some of the straight forward calculations and graphs required for this part of the Paper, while also considering the assumptions which underlie any such analysis.

THE OBJECTIVE OF CVP ANALYSIS

CVP analysis looks primarily at the effects of differing levels of activity on the financial results of a business. The reason for the particular focus on sales volume is because, in the short-run, sales price, and the cost of materials and labour, are usually known with a degree of accuracy. Sales volume, however, is not usually so predictable and therefore, in the short-run, profitability often hinges upon it. For example, Company A may know that the sales price for product x in a particular year is going to be in the region of $50 and its variable costs are approximately $30.

It can, therefore, say with some degree of certainty that the contribution per unit (sales price less variable costs) is $20. Company A may also have fixed costs of $200,000 per annum, which again, are fairly easy to predict. However, when we ask the question: 'Will the company make a profit in that year?', the answer is 'We don't know'. We don't know because we don't know the sales volume for the year. However, we can work out how many sales the business needs to make in order to make a profit and this is where CVP analysis begins.

Methods for calculating the break-even point

The break-even point is when total revenues and total costs are equal, that is, there is no profit but also no loss made. There are three methods for ascertaining this break-even point:

1. The equation method

A little bit of simple maths can help us answer numerous different cost-volume-profit questions.

We know that total revenues are found by multiplying unit selling price (USP) by quantity sold (Q). Also, total costs are made up firstly of total fixed costs (FC) and secondly by variable costs (VC). Total variable costs are found by multiplying unit variable cost (UVC) by total quantity (Q). Any excess of total revenue over total costs will give rise to profit (P). By putting this information into a simple equation, we come up with a method of answering CVP type questions. This is done below continuing with the example of Company A above.

Total revenue – total variable costs – total fixed costs = Profit
(USP x Q) – (UVC x Q) – FC = P (50Q) – (30Q) – 200,000 = P

Note: total fixed costs are used rather than unit fixed costs since unit fixed costs will vary depending on the level of output.

It would, therefore, be inappropriate to use a unit fixed cost since this would vary depending on output. Sales price and variable costs, on the other hand, are assumed to remain constant for all levels of output in the short-run, and, therefore, unit costs are appropriate.

Continuing with our equation, we now set P to zero in order to find out how many items we need to sell in order to make no profit, ie to break even:

(50Q) – (30Q) – 200,000 = 0
20Q – 200,000 = 0
20Q = 200,000
Q = 10,000 units.

The equation has given us our answer. If Company A sells less than 10,000 units, it will make a loss; if it sells exactly 10,000 units, it will break-even, and if it sells more than 10,000 units, it will make a profit.

2. The Contribution Margin method

This second approach uses a little bit of algebra to rewrite our equation above, concentrating on the use of the 'contribution margin'. The contribution margin is equal to total revenue less total variable costs. Alternatively, the unit contribution margin (UCM) is the unit selling price (USP) less the unit variable cost (UVC). Hence, the formula from our mathematical method above is manipulated in the following way:

$(USP \times Q) - (UVC \times Q) - FC = P$

$(USP - UVC) \times Q = FC + P$

$UCM \times Q = FC + P$

$$Q = \frac{FC + P}{UCM}$$

So, if P=0 (because we want to find the break-even point), then we would simply take our fixed costs and divide them by our unit contribution margin. We often see the unit contribution margin referred to as the 'contribution per unit'.

Applying this approach to Company A again:

UCM = 20, FC = 200,000 and P = 0.

$$Q = \frac{FC}{UCM}$$

$$Q = \frac{200{,}000}{20}$$

Therefore Q = 10,000 units

The contribution margin method uses a little bit of algebra to rewrite our equation above, concentrating on the use of the 'contribution margin'.

3. The Graphical method

With the graphical method, the total costs and total revenue lines are plotted on a graph; $ is shown on the y axis and units are shown on the x axis. The point where the total cost and revenue lines intersect is the break-even point. The amount of profit or loss at different output levels is represented by the distance between the total cost and total revenue lines. The gap between the fixed costs and the total costs line represents variable costs.

Alternatively, a contribution graph could be drawn. While this is not specifically covered by the syllabus, it is still useful to see it. This is very similar to a break-even chart; the only difference being that instead of showing a fixed cost line, a variable cost line is shown instead.

Hence, it is the difference between the variable cost line and the total cost line that represents fixed costs. The advantage of this is that it emphasizes contribution as it is represented by the gap between the total revenue and the variable cost lines.

Finally, a profit–volume graph could be drawn, which emphasizes the impact of volume changes on profit. This is key to the syllabus and is discussed in more detail later in this article.

ASCERTAINING THE SALES VOLUME REQUIRED TO ACHIEVE A TARGET PROFIT

As well as ascertaining the break-even point, there are other routine calculations that it is just as important to understand. For example, a business may want to know how many items it must sell in order to attain a target profit.

Example 1

Company A wants to achieve a target profit of $300,000. The sales volume necessary in order to achieve this profit can be ascertained using any of the three methods outlined above. If the equation method is used, the profit of $300,000 is put into the equation rather than the profit of $0:

$(50Q) – (30Q) – 200,000 = 300,000$

$20Q – 200,000 = 300,000$

$20Q = 500,000$

$Q = 25,000$ units.

Alternatively, the contribution method can be used:

$UCM = 20$, $FC = 200,000$ and $P = 300,000$.

$$Q = \frac{FC + P}{UCM}$$

$$Q = \frac{200,000 + 300,000}{20}$$

Therefore $Q = 25,000$ units.

Finally, the answer can be read from the graph, although this method becomes clumsier than the previous two. The profit will be $300,000 where the gap between the total revenue and total cost line is $300,000, since the gap represents profit (after the break-even point) or loss (before the break-even point.)

A contribution graph shows the difference between the variable cost line and the total cost line that represents fixed costs. An advantage of this is that it emphasises contribution as it is represented by the gap between the total revenue and variable cost lines.

This is not a quick enough method to use in an exam so it is not recommended.

Margin of Safety

The margin of safety indicates by how much sales can decrease before a loss occurs, i.e. it is the excess of budgeted revenues over break-even revenues. Using Company A as an example, let's assume that budgeted sales are 20,000 units. The margin of safety can be found, in units, as follows:
Budgeted sales – break-even sales = 20,000 – 10,000 = 10,000 units.

Alternatively, as is often the case, it may be calculated as a percentage:

Budgeted sales – break-even sales/budgeted sales.
In Company A's case, it will be 10,000/20,000 x 100 = 50%.

Finally, it could be calculated in terms of $ sales revenue as follows:

Budgeted sales – break-even sales x selling price = 10,000 x $50 = $500,000.

Contribution to Sales Ratio

It is often useful in single product situations, and essential in multi-product situations, to ascertain how much each $ sold actually contributes towards the fixed costs. This calculation is known as the contribution to sales or C/S ratio. It is found in single product situations by either simply dividing the total contribution by the total sales revenue, or by dividing the unit contribution margin (otherwise known as contribution per unit) by the selling price:
For Company A: $20/$50 = 0.4

In multi-product situations, a weighted average C/S ratio is calculated by using the formula:

Total contribution/total sales revenue

This weighted average C/S ratio can then be used to find CVP information such as break-even point, margin of safety etc.

MULTI-PRODUCT PROFIT–VOLUME CHARTS

When discussing graphical methods for establishing the break-even point, we considered break-even charts and contribution graphs. These could also be drawn for a company selling multiple products, such as Company A in our example. The one type of graph that hasn't yet been discussed is a profit–volume graph. This is slightly different from the others in that it focuses purely on showing a profit/loss line and doesn't separately show the cost and revenue lines. In a multi-product environment, it is common to actually show two lines on the graph: one straight line, where a constant mix between the products is assumed; and one bow-shaped line, where it is assumed that the company sells its most profitable product first and then its next most profitable product, and so on. In order to draw the graph, it is therefore necessary to work out the C/S ratio of each product being sold before ranking the products in order of profitability. It is easy here for Company A, since only two products are being produced, and so it is useful to draw a quick table (prevents mistakes in the exam hall) in order to ascertain each of the points that need to be plotted on the graph in order to show the profit/loss lines.

The graph can then be drawn , showing cumulative sales on the x axis and cumulative profit/loss on the y axis. It can be observed from the graph that, when the company sells its most profitable product first (x) it breaks even earlier than when it sells products in a constant mix. The break-even point is the point where each line cuts the x axis.

LIMITATIONS OF COST-VOLUME-PROFIT ANALYSIS

- Cost-volume-profit analysis is invaluable in demonstrating the effect on an organisation that changes in volume (in particular), costs and selling prices, have on profit. However, its use is limited because it is based on the following assumptions: Either a single product is being sold or, if there are multiple products, these are sold in a constant mix.
- All other variables, apart from volume, remain constant, ie volume is the only factor that causes revenues and costs to change. In reality, this assumption may not hold true as, for example, economies of scale may be achieved as

volumes increase. Similarly, if there is a change in sales mix, revenues will change. Furthermore, it is often found that if sales volumes are to increase, sales price must fall. These are only a few reasons why the assumption may not hold true; there are many others.

- The total cost and total revenue functions are linear. This is only likely to hold a short-run, restricted level of activity.
- Costs can be divided into a component that is fixed and a component that is variable. In reality, some costs may be semi-fixed, such as telephone charges, whereby there may be a fixed monthly rental charge and a variable charge for calls made.
- Fixed costs remain constant over the 'relevant range' - levels in activity in which the business has experience and can therefore perform a degree of accurate analysis. It will either have operated at those activity levels before or studied them carefully so that it can, for example, make accurate predictions of fixed costs in that range.
- Profits are calculated on a variable cost basis or, if absorption costing is used, it is assumed that production volumes are equal to sales volumes.

Strategic Planning and Resource Allocation

In strategic planning, resource allocation is a plan for using available resources, for example human resources, especially in the near term, to achieve goals for the future. It is the process of allocating scarce resources among the various projects or business units.

Resource Allocation

Ideal Approach: Relies on a broadly participative process

- Integrates resource allocation with planning and assessment
- Planning driven by established vision
- All allocation decisions driven by planning priorities
- A result of allocations are assessed regularly and consistently emphasizes accountability versus control.

What Really Matters?

Resources

– Dollars

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– Positions

– Space

– Technology

Planning, resource allocation, and assessment must address all four

Budgeting

Most familiar aspect of resource allocation is the Budgeting Procedure.

Other aspects of resource allocation are

– Space assignment

– Establishment of technology priorities

– Process for assigning new positions

– Any reallocation process Dollars, faculty or staff positions, space, equipment, etc…

Budget as predictor

– Integration with GAAP reporting Link to activities statement Link to balance sheet Driver of planning Application of ratio analysis

– Use budget to project Composite Financial Index (CFI) and its components…

All-funds budgeting

– Unrestricted

– Restricted (e.g., gifts, endowment income, sponsored research) Approved budget is only a snapshot

– Process is continuous

– Always responding to new information Plans, assessment results, etc.

Types of Budgets

- Operating
- Capital

- Special initiatives
- Restricted
- Project
- Departmental
- And many more

Budget Models ™

- Incremental ™
- Formula ™
- Zero-based ™
- Responsibility center ™
- Planning, programming, and budgeting ™
- Special purpose ™
- Initiative-based ™
- Performance-based

Hybrid

Very few "pure" budget models are in use. Most are variations or combinations of the models just described, some work in combination like

– Incremental with incentive-based

– Formula with zero-based on a rotating basis

Others simply a hodgepodge that varies from year to year

Tools for Strategic Resource Allocation

Various tools are used for the Strategic Resource Allocation. Multiple approaches are possible. We will look at some of the Models used in Resource Allocation.

Robert Dickeson's prioritization model

– Valuable because of its holistic approach

– Valuable because it provides a unique framework for assessing academic programs

Dickeson's postulates (adapted)

– Academic programs drive institutional costs

– HE adds programs but rarely subtracts them

– Too many "try to be all things to all people"

– Insufficient resources to do everything well

– Across-the-board cuts lead to mediocrity

– Reallocation of resources is best option

– Reallocation requires prioritization

Sample criteria for examining administrative programs for purposes of prioritization

– Importance to the institution

– External / internal demand

– Quality

– Cost effectiveness

– Opportunity analysis

Sample criteria for examining academic programs for purposes of prioritization

– History, development, expectations

– External / internal demand

– Quality of inputs / outcomes

– Size, scope, and productivity

– Revenues / resources generated

– Expenses / other costs incurred

Plans and Implementation

Changes in strategic direction do not occur automatically. Operational plans must be established to make a strategy work. Moreover, there must be close interaction between the strategic and operational planning systems.

Three types of plans are generated during the implementation phase:

The plan of action

This involves the definition of objectives in quantitative and actionable terms, the timing of strategy, the formation of sub strategies relating to markets, production, finance, distribution, pricing, research and development, investment, and personnel placement.

Plan of implementation

This deals with organizational design changes and structural modification, motivational plans, reward and punishment systems, leadership style, and control and information systems.

Plan of policy

This covers changes in values, rules, policies, and procedures.

Characteristics of Implementable Strategic Plans

Dennis Hykes (1984) suggests that implementable strategic plans have, as a minimum, three characteristics:

They are linked to the appropriate control systems within the organization. Plans must be tied to the budgeting, operational planning, and incentive compensation systems.

There must be a smooth transition from the planning cycle to budget cycle. This link is accomplished through strategic programs that connected with a responsible member of operating management, and are an integral part of an operational plan.

They are "owned" by operating management. Plans are likely to be "owned" by operating management when the following occurs:

1. Strategic plans must be in the management mainstream, that is, they should be a regular, continuous process, as other management processes tend to be.
2. Plans, and the process, must be easily digestible, that is, relatively uncomplicated systems, techniques, and forms should be used to produce relatively brief (20-to 30-pages) plans.
3. The line managers are the planners, with the planning staff concentrating on process design, facilitation, troubleshooting, and review and analysis.

They are perceived as being achievable by those responsible for implementation. Plan must be achievable-neither too difficult nor too easy. Finding the optimal level of difficulty can be aided by using an interactive, participative team approach in their development, coupled with a soundly constructed review program for the plan.

Operationalizing the Strategy - Summary

The tasks of Operationalizing the strategy include establishing objectives, allocating resources, developing functional strategies and devising policies.

Annual objectives serve as guidelines for action, directing and channeling efforts and activities of organization members. Annual objectives are derived from long-term objectives. They must be consistent, measurable, and prioritized.

Resource allocation is a central management activity that allows for strategy execution. Strategists have the power to decide which divisions, departments, or SBUs are to receive how much money, which facilities, and which executives. The primary tool for making resource allocations is the budget process.

Functional strategies are derived from business strategy and provide directions to key functional areas within the business in terms of what must be done to implement strategy.

Policy refers to specific guidelines, methods, procedures, rules, forms, and administrative practices established to support and encourage work towards stated goals.

These issues are central strategy-implementation activities common to all organizations. The next chapter examines the institutionalization phase of strategy implementation, also important to successful strategy implementation.

SUGGESTED READINGS

- Marketing of High-Technology Products and Innovations: Pearson New International Edition, 3rd Edition, Jakki Mohr, Sanjit Sengupta, Stanley Slater
- Marketing Planning, Strategy, Environment and Context, Jim Blythe, Phil Megicks
- Marketing Management by Philip Kotler, Kevin Lane Keller.