## Bank of extended strategic case studies, questions and suggested solutions

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### Case Study - AZZ Foods

**International market entry**

AZZ Foods are manufactured by AZZ Food Industries Sdn Bhd (private limited company) in Malaysia. The company was formed in 1980 to produce a range of ready prepared meals for a local market that was becoming more aware of, and favourably disposed towards, convenience foods. All AZZ Foods then and today are of authentic Asian culture – but with some major differences.
1. They are pre-packed ready prepared meals which require no refrigeration.
2. They contain no preservative or artificial colouring.
3. They are conveniently packed in 180g sizes to serve one to two persons.
4. They require just three minutes ‘boil in the bag’ to be ready for serving.
5. They are presented, not in tins, but in a convenient packet with an airtight seal – offering a long shelf life to storekeepers and customers.

For many companies, new products involve the full effort and cooperation of a total management structure as well as a wide cross-section of the total work force. New products can involve large-scale investment and a higher than normal risk than many other marketing decisions. AZZ have been fortunate to provide a range of innovative food preparations that are truly ‘new’ to the consumer, providing a real alternative to foods which are more traditionally consumed in Asian markets.

To date consumer perception of, and rate of adoption for, AZZ Asian Foods has been most encouraging. Distribution within West and East Malaysia has achieved national coverage with retail sales made direct to supermarkets in major population centres.

Export markets have been pioneered with promising results and are targeted to outstrip the domestic market in volume terms within 12 months. Next on the agenda for international market expansion is Western Europe, with the United Kingdom as a number one priority. The criteria for this development have yet to be fully appraised – but an experimental pilot launch programme will require answers to three basic questions:

1. Is there ‘real’ consumer need?
2. Do AZZ have the resources and manufacturing capacity to sustain the development?
3. Is the designated market(s) large enough to generate profit?

These questions answered, the most appropriate method of market entry must be decided.
It is pertinent to observe, that even today the range of AZZ Foods in existing markets has achieved just the early
growth stage in the product life cycle, with competition only from close substitute convenience foods. Yet full
product development costs have been recovered and AZZ enjoy a 25 per cent net profit to sales ration with
forecasts of 29 per cent for the next year end.

Sales promotion in domestic and export markets have been directed at creating point of sale product awareness,
and to support the domestic-based and missionary sales force activity. To date there has been no above-the-line
advertising, but considerable benefit has been gained from well-planned publicity.

It is expected that appointed distributors must independently fund local promotion for the range of AZZ foods
they carry in current domestic and overseas markets.

Pricing strategy has been based upon a simple cost-plus full-absorption costing model and until real competition
emerges net profit objectives will be achieved through this method of pricing. Within this cost-plus approach,
AZZ have aimed to skim the market on the rationale of product innovation, convenience and the unique selling
points mentioned previously. Until the market becomes more elastic this policy will be retained. As new
overseas markets are penetrated, it is believed that this simple but effective means of pricing will be successful.

The ultimate goal, through marketing a wide range of foods, is to ensure long-term profitability, but for their
existing product offering, the subsequent stages of the product life cycle must now be considered across the mix
of markets both at home and overseas.

AZZ believe that the notion of market share acquisition is mostly irrelevant because it is difficult to define ‘the
market’ – and yet the issue of product positioning must be addressed to fulfil the requirements of an
international product strategy.
A real issue to be tackled is that of product differentiation. To date all packaging carries the AZZ brand name, the name of the authentic Asian cuisine dish and instructions in Malay and English.

The European market may present different conditions. Policy on standardization must be debated before market entry strategy is confirmed.

On the Malaysian domestic market front the sales team are driving hard to acquire stronger distribution. The main trade promotional platform is 90 days’ credit for existing accounts and ‘sale or return’ for an experimental 30-day period for new accounts.

The perennial battle at the retail end is the pressure for profitable shelf space – shelf space among established competitors for other foods and foodstuffs. Supermarkets internationally will usually allocate the linear selling space to a ‘hierarchy of brands’. AZZ have to fight hard to get prime selling space in stores.

AZZ are fully aware that the domestic Malaysian market may mature before overseas markets, but in any event are aware also for the need to plan ahead for a time when:

1. Sales will increase but at reduced rates.
2. More product lines will be needed to support the brand base.
3. Prices may soften owing to direct competitive demand.
4. More tactical promotion will be needed.
5. Retail store buyers become more discriminating about the rationalization of the brand and the inventory kept.
Being proactive for these eventualities is of particular concern. An underlying anxiety during this exciting but turbulent time for the company is that of maintaining the working capital balances of the company. The need for growth means that growth has to be effectively financed. Tensions already exist within the company to maintain an effective cash cycle to avoid the risk of AZZ running into a liquidity crisis as a result of their programme of rapid overseas expansion.

**APPENDICES**

1. Transcript of business mission discussion with Masli Hamid, managing director of AZZ Foods Sdn Bhd
2. AZZ export product mix – statement by Masli Hamid
3. Email communications from Knight, Landers and Meadows, consultants
4. Home and export market average selling prices
5. Key financial data

**Appendix 1 - Transcript of business mission. Discussion with AZZ managing director, Masli Hamid**

1. What business is the company in now?
Reply: ‘The processed food business. We manufacture ready meals in pre-packed sealed containers for people who enjoy eating an authentic Asian dish but do not want the bother of preparing it.’
2. What is business, then, is the company really in?

Reply: ‘I suppose we sell convenience foods to the time conscious “consumer.”’

3. How well is the company doing?

Reply: ‘Very well – but I know we can do much better with the right guidance.’

4. What assumptions have you made about the future?

Reply: ‘Making assumptions is very dangerous – we may make false assumptions and run a high risk. Our main assumptions are to help us forecast sales and hence our budgets for the forthcoming period – but to date these have been exceeded. Either our assumptions have been good or our forecasts too modest.’

5. Where should the company be, say, in five years time and why?

Reply: ‘We should be known not only in the Far East but also in Western Europe I can foresee growth into Hong Kong and Singapore, and growth within the Europe. We simply have to export. The volume market in Malaysia is not large enough to sustain our projected levels of staffing and future capital investment in plant.’

6. What routes will you take to exploit these new counties further?

Reply: ‘This is where I need your help.’

7. What do you think will be the market reaction to your products?

Reply: ‘In Hong Kong it is difficult to say – unless we diversify into some Chinese dishes. In Singapore there is already an indigenous Malay community which is part of the cultural structure of the country – and Chinese people and Indian people living in Malaysia buy our product – so why not in Singapore ? In the UK and Europe – well, I don’t really know. This is something you can help to resolve.’

8. What level of corporate risk is AZZ prepared to take to exploit these markets over the next five years?

Reply: ‘I am not in a position right now to answer this question.’

9. What future direction should the company take?

Reply: ‘I believe it is important to look carefully at our corporate level objectives; then select the best product and market combinations to achieve them both at home and overseas.’

10. What resources will be needed to achieve the intended direction over the next five years?

Reply: ‘Well, labour is not a problem ; there is no real shortage. We will need better to formalize our marketing and sales structure to make our company more efficient. Our factory is freehold with room to expand to increase
output considerably. I would estimate currently that we are operating at 35 per cent of our production capacity. We have considerably geared up for growth.’

11. What measures will you take to check progress towards company goals for the next five years?

Reply: ‘Again, our planning system is based now on budgetary. I am sure that this must change, but we again need guidance on how to prepare for such changes. There will be a number of actions that need to be taken before five years and I shall be looking forward to receiving your proposals.’
Appendix 2 - AZZ export product mix. Statement by Masli Hamid, managing director

We define our product lines technically as ‘retort pouch’ food. Using this innovation our production system could produce almost any type of food that could traditionally be marketed through cans, paper packs, vacuum packs, plastic film packs, and so on. Our product range features authentic Asian food, mainly Malay and Indian cuisine.

Retort pouch food manufacturing is a process of sterilization whereby heat is applied under pressure at a certain temperature and time depending upon the food being processed. Through the food processing system bacteria are destroyed, making the food safe for the consumer up to a period of two years. The opportunities for using this food processing method appear limitless – we are now experimenting with vegetables at the more expensive end of the range, like asparagus.

On the home market sales emphasis is upon traditional Malay cuisine, but the narrow product mix sold overseas has been limited to chicken curry, beef curry, mutton korma, prawn curry, beef korma and squid curry, the emphasis being upon Indian dishes.

We have had demand from our export markets for sweet and sour prawns, sweet and sour chicken and for our traditional satay sauce as well as other traditional sauces.

The pool of potential product ideas is vast, but as yet we can sell all we are producing. Things will change, so we need an effective means by which we can select the best new product line additions for our expanding overseas markets.

In terms of feasibility, our experimental technical research department have only to perfect the ‘cooking process’ before we can add to the product range. Development time and costs to add a new product line are very modest compared to those in a traditional manufacturing industry.
We have conducted no market research in the history of the organization – we cannot tell you about market characteristics, size or trends. We watch our competitors in the food canning industry like hawks, though.

Our overseas sales have occurred by luck and sound judgement, but lack what others may call sophisticated planning.

Our sales team merely visit potential distributors, agree the terms of the sales contract, set up the system of payment by letter of credit, and we ship. Initially, we tried air freight, but volumes are such that we depend upon containerized transport by road and sea.

I believe it may not be so straightforward for UK market entry. I am convinced that our product lines will sell – but the real question we need to answer is to whom, to get rapid market penetration. Certainly package modifications and other marketing areas need to be explored as part of your brief.

**Appendix 3 - Email**

*From: Knight, Landers and Meadows, UK-based consultants*

*To: Masli Hamid, managing director*

**INITIAL THOUGHTS ON UK MARKET ENTRY**

1. We need a clear understanding of the level of corporate priority that will be given to the UK and the wider European Community market, so that the scale of the operation can be best determined.

2. We appreciate that staffing resources do not impose a constraint, but will need a clear understanding about the level of finance required for the venture and to be certain that financial constraints will not restrict market penetration and subsequent take off.

3. We are confident to be able to provide market profiles, forecasts, identification of target markets and to obtain a measure for the nature of competition. We must answer three questions in depth:

   (a) Who are the buyers?

   (b) Where are they located?
What motives will induce purchase?

4. This achieved, we will again need to assess the company position with reference to time and ability to exploit the market and consider the level of associated risk involved.

5. It will then be appropriate to revise the company’s objectives in the light of more facts about the market and a better knowledge base from which to work.

6. The above pointers will lead to the identification of a number of different market entry options.

7. These options must be assessed across a number of criteria which we must jointly discuss, agree and evaluate.

8. Then we can select and justify the best market entry option for the country and set up the marketing mix and sales plans within a framework of your existing budgetary control system.

9. From experience we have found that market entry plans become frustrated all too often from inadequate communication and a poor flow of information. We must ensure that an information system is in place to our specifications before attacking the UK market.

Fax

From: Knight, Landers and Meadows, UK-based consultants

To: Masli Hamid, managing director

Having consulted our files and spoken to partners, an interesting scenario has emerged. Over the past 10 years, we were retained by a company whose main brand was and is today a household name in the market for Asian pickles, curries and relishes. While the main selling product remains mango chutney, the range is quite extensive and includes lime pickle, hot chilli chutney, Madras curry sauce, chilli and garlic sauce, curry relishes, and so on, all sold through traditional wholesale grocery channels and larger supermarket groups. The company bought a canning plant in London’s dock area and we were responsible for test marketing a new range of canned curries over six months, through a national roll out for five product lines.
A year later, this was followed successfully with the launch of a range of canned curry powders in three strengths – mild, hot and extra mild. They then diversified into accelerated freeze dried foods, sold in packets from refrigerated display units; the range includes Chinese foods.

One option for us to consider, clearly among others, to achieve rapid market penetration is to open discussions with our former clients!

Email

From: Knight, Landers and Meadows, UK-based consultants
To: Masli Hamid, managing director

THE PRICING ISSUE

With growing concern over the company’s liquidity position, it is not only the price level which is important but effective credit control and the need also to guard against the vagaries of fluctuating exchanging rates, which can convert a profitable consignment into a loss.

With a market leadership position in Malaysia and an assumed positive response from the UK market, which follows other international experience, then it may be appropriate to take a close look at the cost components of meeting a UK order – time to reflect before the price level is set for the first time.

The following checklist will help to avoid the more serious errors and omissions in calculating the profitability of exports:

1. The ex-works price, i.e. the direct cost of manufacture;

   plus an allocation of company overheads that pertain to export markets;

   plus an allocation of total export overheads, e.g. part of export administration;

   plus an allocation of overheads specific to the UK market (e.g. selling and production costs)

   plus any relevant agency commissions;
plus export packing costs;
plus an appropriate profit margin.

2. If an fob price is quoted, then the ex-works price is to be supplemented by:
   (a) transport and insurance to docks/airport
   (b) handling and other fob charges

3. If a cif price is quoted, then to the fob price must be added:
   (a) transport to country of destination
   (b) insurance in transit

4. To determine the local market price, additional costs will be incurred:
   (a) landing charges
   (b) import duty
   (c) internal transportation, storage and handling charges
   (d) distributor mark-ups
   (e) local turnover taxes

Now this will depend upon how far down the channel the company wishes to proceed to achieve market penetration, but additional costs also need to be viewed in perspective.

5. Increased financing costs resulting from delays in transit and payment that are inseparable from even the normal export transaction, increased costs that will arise from the need to finance distributors with inventory, insurances of credit risks, forward exchange cover and a myriad of additional, often unseen, expenses.

These costs will vary from market to market. The common practice of marking up a fixed percentage on cost usually ends up with a disappointing return, especially where logistics have a significant contribution to maintain customer service levels.

It is important to forecast market response, but as yet this is at best a ‘guesstimate’. The speed with which orders are filled, the ability to meet emergency orders, the options offered on minimum order sizes, all have cost implications – as does the company’s policy on returned goods.
Dear Mr Knight,

Following our recent discussion in Kuala Lumpur, we wish to confirm your appointment on the terms agreed in your initial proposal: that your company would be retained on a one-year contract to assist in the corporate development of our organization to prepare for market exploitation in Western Europe but with special emphasis on the United Kingdom.

We are particularly interested in the most cost-effective method of market entry and need to be fully appraised of the obstacles involved, however other issues should be kept in mind.

Yours sincerely

Masli Hamid
Managing Director
AZZ FOODS SDN BHD

Questions

In your capacity as Colin Knight, you have had time to prepare formal proposals for the managing director of AZZ Foods Sdn Bhd.

Your report should be confined to the UK market only and should meet the following specific requests from Masli Hamid.

1. Specify the information requirements and means of data collection that are considered appropriate to assist with the UK market entry programme.
2. (i) Identify the options you consider open to enable AZZ Foods to secure UK market entry.

(ii) Propose criteria by which these options should be evaluated.

(iii) Select and justify one method for UK market entry in accordance with the selected criteria in part (b) above.

3. Explain the marketing and financial implications of the proposed method of UK market entry.

Answer

To: Masli Hamid, managing director, AZZ Foods Sdn Bhd

From: Colin Knight, Knight, Landers and Meadows

Report on the UK market

Section 1 Information requirements and data collection methods appropriate for UK market entry

1.1 Information system: An appropriate marketing information system is needed so that the initial UK research programme and subsequent information flows can be reviewed, coordinated and integrated with the management decision making process within AZZ Foods.

Once this is in place, it will make communications within the company flow easily and quickly. This MkIS is particularly important now that the company seeks to expand its international operations.

1.2 Information requirements for UK market entry: There is often a tendency to produce information beyond the requirements of the task.

The scale of the task is initially modest and the purpose is to secure market entry in the UK by the most appropriate method. With these objectives specified then the following information audit is deemed appropriate.
Information needed

1. International company assessment

Ambition and ability are rarely matched in marketing strategy. A full review is needed before the UK research programme commences to answer the question:

Is AZZ equipped in human, financial and marketing resource terms in Malaysia to approach, enter, penetrate and sustain a market presence in the UK?

The feasibility and hence the commercial viability is needed to be carefully assessed to avoid the embarrassment of costly, high risk, marketing mistakes.

Methods of data collection

A corporate and marketing audit will be needed internally.

Assumption

Assuming that the internal company assessment has produced favourable indications, that there is a firm commitment to the UK market entry and that existing markets will not suffer as a result of this programme of expansion, then the following UK information is deemed necessary.

2. UK market assessment: information requirements

Fundamentally AZZ required detailed profiles of the market, the customer, means of distribution, competitors and their product offerings, prevailing trade and pricing practices, levels of brand identity for competitive commercial foods and the promotional support provided.

The means of market entry in terms of trade barriers and the formal procedures required for clearing a foreign food item for UK market consumption are vital.
However, information is not only needed on how to get into the market and then how to present and position the product for market consumption, but also a customer profile is absolutely essential.

The fundamental question which must be answered is:

Who are the buyers, where are they located and what motives will induce purchase?

Without this answer, target marketing will be impossible. AZZ need to anticipate market response to their innovative food processing and preparation method for the UK domestic household.

3. Precise information needs

These information needs are considered essential to evaluate marketing problems to be anticipated and overcome through appropriate market entry strategy.

Answers therefore must be given to the following questions so that information can be collected and fed into the marketing information system identified in Section 1.1.

3.1 The UK market

- What is the size of the market?
- What are the prevailing trends in ethnic convenience food consumption?
- How is the market affected by various environmental factors (e.g. economic, social, seasonal, technological?)
- What is the likely target group for the customers in terms of key segmentation criteria?
- What distribution options are available and which are most appropriate for effective market penetration in line with the volume objectives anticipated?
• What are the prevailing price levels and is the product directly competitive or comparable on price? Therefore, what is the level of prices sensitivity and can price be used as a significant dimension for product positioning?

• Is it possible to anticipate market response and the potential life of the product should UK market entry be achieved?

• What is the likely rate of market take-up and in what quantities?

3.2 UK market competition

• Who are the competitors, what is the level of market penetration and by which means are products distributed to customers?

• What are the brands and levels of established brand loyalty?

• How do competitors maintain trade support through effective terms of trade and means of retaining brand entrenchment?

• What are the main close substitute products?

• How will the market at trade and consumer level respond to this new concept?

• What are the competitors’ levels of investment in the market, how well entrenched are they, and what therefore will be the cost of (a) entering the market and (b) sustaining a market presence?

• How are competitive products or close substitutes packaged?

• Is there any evidence of direct competition in the future for a similar product and concept?

• How long, if at all, will AZZ Foods have a lead in the market with their innovation?

3.3 Product information

• Which is the most appropriate mix of AZZ Food product offerings for the UK market?

• What will customers/trade buy?

• What is the level of resistance and what are the resistance factors?

• Do customers currently have complaints about such ethnic convenience foods, what are these, and do these present a future market opportunity in relation to AZZ Foods product strategy?
• How do trade and domestic customers react to the brand name? Is this appropriate for the UK market?

3.4 Promotion information
• What are the current levels of visibility of ethnic convenience foods and the associated levels, forms and mixes of promotional activity directed at trade and domestic customer groups?
• Therefore, what will be the levels of promotional spending needed to enter the market, establish awareness and sustain market demand? What would be the best type of organization to maintain promotional activity and reflect market needs in accordance with the aspirations of AZZ Foods Sdn Bhd?

Methods of data collection

Answers to these questions, and others which will be determined as a result of discussions arising from this report, are needed.

The very nature of these questions needs an integrated approach to the achievement of the answers. A piece-meal approach would be time-consuming, costly and may lack the cohesion necessary to obtain a clear picture of UK market entry potential.

A combination of pricing, secondary, and desk, field and motivational research is required at trade and consumer levels over a planned time sequence.

Research is needed to avoid costly mistakes arising from an inappropriate market entry strategy.

Stages in the research process
1. A discussion is needed between Knight, Landers and Meadows and AZZ Foods Sdn Bhd to establish the actual information deemed essential as distinct from that which is merely desirable.
2. The means of achieving answers to these pieces of information needs to be discussed, assessed and agreed.

3. A time-scale and budget must then be set.

4. It is therefore envisaged that there will be two main types of research activity.
   4.1 Desk research in Malaysia and the UK
   4.2 Field research in the UK.

5. **The desk research programme**

   Desk research among secondary sources of information needs to be undertaken to establish basic facts. It may also reduce the need for more costly primary field research.

   Sources of information should be reached in both Malaysia and the UK. In fact, the Trade Development Board in Malaysia and the Department of Trade and Industry both provide useful information and guidance. Government sources of statistics from bodies such as the Statistics and Market Intelligence Library and City Business Library in London provide a solid foundation upon which to start the data collection process.

6. **The field research programme**

   Qualitative, motivational research comprising personal and depth interviews through focus group and/or observational studies must be conducted to obtain answers to the relevant questions in the above section. Taste tests are also recommended. This would give AZZ Foods an indication of the likely response to the product and help in defining the most viable potential target market for a UK product launch.

7. **Field visits**

   A personal visit to the UK by the senior executive of AZZ Foods is deemed then to be necessary to hold discussions with potential buyers identified through desk research. This would be followed up by subsequent visits which should have a clear objective of achieving UK market entry.
Section 2

(a) Options open to enable AZZ Foods to secure UK market entry

The following options may be considered:

1. Indirect export from Malaysia using an export house or the local buying office of a trading company
2. The appointment of a UK sales agent
3. The appointment of a UK distributor with sales capability
4. Direct investment in own sales subsidiary
5. Manufacture under licence in the UK
6. Set up own manufacturing facility in the UK
7. Joint venture with a former client of Knight, Landers and Meadows or with other local partner
8. Acquisition strategy

(b) Criteria for evaluation of market entry options

The following criteria are deemed pertinent as areas in which measurement and assessment are needed:

1. Rate of market penetration
2. Ability to control operations
3. Financial cost of market entry
4. Level of marketing incremental ‘on costs’
5. Short-term profit potential
6. Level of capital investment
7. Impact on company working capital balances
8. Level of corporate risk to company image
9. Flexibility in scale of operation
10. Level of administrative support needed
11. Speed and reliability of market feedback
12. Impact of competitive response on market share potential
13. Investment payback period
14. Impact on ability to sustain existing trading position in other counties
15. Exposure to foreign problems originating in the UK

(c) Selection and justification of one method for UK market entry

Using the options identified in Section 2(a) and the criteria in Section 2(b) a simple model can be drawn up. The evaluation model will produce a conclusion which justifies the means of market entry. This then will provide the basis of subsequent discussion and agreement.

The evaluation model

The model takes the form of a matrix for evaluation, in which three processes are required.

Process 1

The options for UK market entry are identified (Section 2(a)).

Process 2

Criteria are selected for use in the evaluation matrix and weighted in relation to their considered importance (Section 2(b)).

Process 3

Options are assessed against criteria using judgemental factor analysis on a scale ranging from minus five to plus five. The scores are summed and the most desirable option is considered for further discussion. The justification for selection is then in accordance with the criteria used for evaluation.

In using this evaluation model, the process of evaluating options against criteria is subjective and hence to refine the method it is wise to state assumptions clearly before proceeding.

The assumptions for AZZ Foods Sdn Bhd will need agreement but it is considered that at this stage these are:

1. A low level of capital investment is intended.
2. A quick return from the market is needed with a coincident low level of risk.

3. That at this stage this UK market entry programme is to be treated cautiously and be deemed to be experimental.

4. The market investment by AZZ Foods will be based upon market response.

5. In the short term a low level of direct involvement is envisaged.

**Conclusion: selection and justification for one method of UK market entry**

Using the model with the criteria for evaluation equally weighted, it is clear that AZZ Foods Sdn Bhd should seek a UK distributor for their range of ethnic convenience foods.

Furthermore, by weighting the evaluation criteria according to importance and taking into account the previously stated assumptions, the view is again clear that this course of action is to be proposed for adoption.

The justification for this is both in using the criteria for evaluation and in the scoring methods applied.

**Section 3: The marketing and financial implications arising from the adoption of the proposed method of UK market entry**

The proposed method of UK market entry is the appointment of a UK distributor who will take responsibility for the UK sales and distribution of AZZ Food products.

Suggested objectives would be:

1. To introduce the AZZ brand of authentic Asian convenience foods into the UK

2. To use the UK launch as a base to exploit the Western European market

3. To define accurately the demand for the company’s products and thereby to plan a carefully controlled market launch

4. To exploit positively the anticipated product lifecycle for authentic Asian convenience foods through appropriate product/market combinations
5. To secure and maintain an effective market position through the appointment of a UK distributor with an effective selling operation

6. To secure a rate of distribution penetration in accordance with company capability to maintain supply.

Arising from these objectives, there are marketing implications to be considered.

1. **Market segmentation**

Owing to the size of AZZ Foods Sdn Bhd and the anticipated scale of UK market operations, it is essential to position these products carefully to appeal to distinct and discrete target market groups. The appointed distributor will need then to concentrate selling operations to these groups.

Research will reveal which are the most likely market segments to respond favourably to the Hamid range of products, be it ethnically Asian or non-Asian groups.

Again, to reiterate an earlier point in the report, the following questions need to be assessed:

1. Who are the buyers?
2. Where are they located?
3. What motive will induce purchase?

If this is not undertaken, the consequences could be a lack of focused marketing activity and subsequent failure.

2. **Distribution**

The scale of this UK market entry will certainly be modest in the short term. The distributor must, however, be well placed to secure market penetration among trade customer groups and in turn to get shelf space in the appropriate retail and wholesale outlets.
In the single European market, the distributor appointed should have the ability to introduce this product range to an associated network of distributors in Europe.

3. **Supply from Malaysia**

Demand and supply must be matched. Accurate sales forecasts are necessary to maintain effective market support and hence the continuity for marketing the range of products.

AZZ will need to be sensitive to the rate of uptake in the market so that supply can be matched with demand. Sufficient buffer stocks must be held in the UK to offset the vagaries of demand.

Indications can be achieved by using a pilot launch and then rolling the product out nationally over a specified controlled time period.

AZZ must not fall into the trap of stimulating demand for a product for which they cannot maintain supply.

To regain a lost market is rare, and if achievable very expensive in promotional terms. Feedback therefore on market response is essential: careful monitoring is vital.

4. **Product range**

Product testing will be necessary to determine those products most readily accepted on the UK market. Certain of the foods available to the indigenous Malaysian market may not be acceptable to the wider, non-Asian target market in the UK.

Volume uptake is a prime consideration. Initially, therefore, the range must be limited to those products which will secure market recognition and acceptance.
In time, product range extension can be planned for a phased operation for the UK and subsequently, if research supports the need, to Europe.

5. **Product identity**

One key principle of international marketing is standardization. There will, however, need to be changes to the packaging of the product to meet with the legal and language requirements of the market.

It is vital to determine the acceptance of the brand name. If, for some unforeseen reason, there are negative cultural connotations arising, these *must* be discovered to avert failure.

Packaging in Malaysia of ‘local food products’ rarely matches the standards of international brands. If AZZ recognizes that they now have an international brand, they must consider carefully how appropriate the packaging is for the anticipated market segments.

Any form of innovation in the field of food preparation will cause suspicion and potential mistrust because of the potential risk to health of family members.

Product trial and usage can only be obtained if there is sufficient source credibility to gain confidence in the minds of both trade and domestic consumers. Packaging must match therefore the positioning of the product in the market place. Careful attention must be given to this aspect of the marketing spectrum before launch plans are progressed further.

6. **Promotion**

Appropriate trade and consumer promotion will need to be planned to achieve the UK entry and subsequent market penetration objectives.
The scale is anticipated in the short term to be modest (to gauge response), but as demand is established (or otherwise) promotion can be adjusted on an incremental basis for the market segments targeted.

The creative platform, main selling propositions and approach to be made needs to be closely harmonized with the product packaging to secure maximum impact among trade and domestic customers.

Trade support must be given to encourage the UK distributor to ‘push’ the AZZ range of products.

A budget needs to be set at an appropriate level, which needs to be sufficient to achieve awareness and impact objectives.

However, the spend should not be confined to above- and below-the-line activity, but also be extended to well-planned publicity.

The concept is considered to be innovative. This is newsworthy; hence there is again short-term impact to be created and hence also modest gains.

The message is clear: promotional planning and execution needs to be coordinated professionally to maximize impact and to give the product the best chance to succeed.

Knight, Landers and Meadows are well-placed to achieve this and will be happy to prepare a separate proposal.

7. Pricing

AZZ have the opportunity for short-term gain arising from the innovative nature of the product, yet it needs to be priced within a range to encourage trial. Conversely, the on-costs of international distribution and the need for an operating margin have to be balanced.
The price levels of close substitute products need to be researched to determine the appropriate level of prices in the UK. The company has international experience in this area and again its expertise must be used to ensure that an appropriate market price is set which is sufficiently attractive to encourage and maintain demand.

It may be wise to consider using full absorption costing to take into account the full impact of international distribution within and between the countries concerned, so that the break-even analysis and profit volume analysis can assess the feasibility of short-term operations.

Clearly the financial implications of this proposed UK market entry will need to be assessed carefully.

3.2 The financial implications

The emotion and associated creative enthusiasm which is characteristic of marketing strategy needs to be tempered with the rational reality of the ‘bottom-line’. The financial implications arising from the adoption of the UK market entry strategy now need to be identified for subsequent, more detailed discussion.

The main aspects to be considered are typical of those associated with project management, namely:

1. Level of investment
2. Payback and return on investment
3. Associated level of financial risk
4. Impact, both positive and negative, upon the financial health of the business
5. Working capital tensions arising and coincident liquidity
6. Profitability

*Level of Investment*

It is not the initial level of investment which is the prime consideration; it is the subsequent levels of investment needed to maintain supply and support to the market and the associated trade channels. It may be more than investment in stocks. The Malaysian factory may need to gear up to achieve higher levels of production output.
There is clearly a stepped effect to be considered in terms of the level of investment planned for the UK and Europe. This needs to be considered, before UK market entry is affected.

AZZ must not engage in experimental marketing activity in the UK without a full understanding of the likely future impact on the levels of sustained investment needed.

*Payback and return on investment*

It is typical of export marketing operations to consider breakeven over time through appropriate price/volume relationships and options and not to lose sight of the market.

Price positioning is vital. Payback will depend upon this sensitive area, and AZZ have only one opportunity to get it right!

Payback is a matter of international business strategy. Is the UK market a serious medium-to-long-term intention for AZZ Foods – or is it an opportunity for short-term gain?

The company must decide upon the expected level of investment. Not only are there production implications, but staffing implications arising from the need to support the UK and subsequent European market plans with an appropriate structure.

Return on investment is not only a function of percentage return, but also one of opportunity cost.

AZZ must assess the cost of the opportunities foregone by adopting the UK as a future market. Other markets, logistically and psychologically closer to Malaysia, may give better low-risk return.

The company must be prepared for a slower and poorer rate of return than it may have originally anticipated in order to overcome potential disappointments so characteristic in first time overseas market entry.
If modest objectives are set, erratic decision making may be reduced. Head office frustration caused by market dynamics in the UK will be inevitable, but patience may be needed to achieve a positive return on investment.

The commercial success of this venture is in the hands of the UK distributor, and without further direct investment so is the payback period and rate of return.

Level of financial risk

The UK should be established as an independent profit centre with an appropriate apportionment of Malaysian overheads absorbed on an appropriate and equitable basis between the international markets served.

A time limit should be set within which profit should be generated. The financial control structure should be established by a set of well-conceived budgets and be used through regular reviews as a means of monitoring UK market performance. This will enable senior management to be alerted to the impact of variations from budgeted performance so that corrective action can be taken. Short-term losses are a fact of life. AZZ must decide the level of financial risk acceptable for this project well in advance of implementation.

Impact upon the financial health of the business

Profitability, liquidity, solvency and stability are issues of regular concern. The most penetrating issue is to consider the impact upon the existing business operations arising from success and failure in the UK market.

Therefore, both positive and negative business scenarios viewed over a series of planning horizons should be set to anticipate the outcomes from a successful or failed UK market entry programme.

With this impact assessed, management can either proceed with confidence or reject their plans.

Working with capital tensions arising and coincident liquidity
The real cost of financing overseas business operations is often hidden in a managerial no man’s land and the coincident effect of this is disappointment with the financial performance in overseas markets.

AZZ Foods must address very carefully indeed the potential impact of UK market entry on the working capital position of the business entity in Malaysia.

Debtor/creditor relationships must be examined closely to determine the impact of credit given and received. The associated impact of the cash cycle cannot be ignored. It is well known that in the short term international markets may be ‘bought’. The tensions arising can be devastating.

Credit extension policy must be laid down and adhered to avoid a potential liquidity crisis arising from late or non-payment of accounts.

AZZ must be fully aware of the workings of letters of credit in the UK market to ensure that payment is received. However, the UK distributor will inevitably ask for credit. The cost of the stock ‘on the water’ shipped from Malaysia plus the insurance costs and associated costs of storage and movement added to trade credit can result in the company’s overdraft position increasing substantially.

The cost of this overdraft, or even the loss of interest from company funds on deposit, must be taken into account because this will and does place considerable pressure on the working capital balances of the company and hence its liquidity.

*Profitability*

Financial performance is assessed in a number of well-established ways. However, the ‘bottom-line’ of net profit is always in the minds of business owners and business investors.
The credence associated with international marketing and the esteem which accrues to the earnings to be retained in the business to help finance future business growth.

Therefore there is inevitably a crisis to be resolved between the need for profit and the need to invest to obtain yet more profit. The balance is in the level of risk deemed acceptable.

The UK market entry plan may, by virtue of the size of AZZ Foods and the anticipated level of investment, be modest. However, the impact upon the organization could be far reaching in terms of future growth and profitability or loss. Therefore, it is essential that an effective system of budgetary control is established so that marketing and business market entry strategy and tactics are confined to well-established financial boundaries.
Case Study - Venicia

Business strategy for sustainable business

Venicia has been a defining force in ladies high end fashion for 100 years. This world famous Italian brand was originally launched by Carlo and Bianca Venicia in 1908. Their father was a tailor whose business was renowned for fine quality, craftsmanship and discreet design. Today Venicia is still run as a family-owned business with no external shareholders.

Currently there are over 200 owned boutiques worldwide in upscale retail locations, shopping malls and aniparks with flagship stores in Milan, Tokyo, Paris and London where the brand is known for elegant style, exquisite taste and timeless appeal.

Venicia is a trend-setter in the world of high fashion with a wide product range that includes ready-to-wear clothing, fine jewellery and watches, cosmetics and fragrances, shoes, and iconic handbags.

Venicia is acknowledged as a leader in the luxury goods apparel market where high profile celebrities have brought the brand to fame in product-centric advertising campaigns that have had legendary appeal for decades.

Venicia house of fragrance has world renown, with world-class perfumes producing a sophisticated classic range of perfumes for the discerning, again presented with celebrity endorsement.

Venicia has signature perfumes, signature clothes and signature handbags and purses, and in the past few years, have produced a new range of signature wallets in association with one of the leading luxury Swiss watchmakers.

Recent additions to these collections have also included eyewear, small luggage items and new range of ladies accessories. Innovation and creative design continues as world-famous Italian fashion designs are employed to
drive sales and support eight manufacturing plants in Italy where quality combines with high levels of
disposable income and where the brand has become ‘collectable’ over seasons. Typically there are two main
seasons per year, where colour tones play an important role to harmonise with trends in fashion. The colours of
black and white remain classic and are always featured in all product ranges aiming at universal appeal.

Even though the fashion industry has characteristic ‘sales’ in January and July to clear stock, stimulate cash flow
and to make room for the new season’s collections, Venecia has not followed this practice. Carefully calculated
levels of production have enabled sales to become sustainable, and in some world markets are viewed as having
scarcity value, especially in markets in Europe when shopping fever occurs during the winter and summer sales
periods. Venecia simply moves off the shelves, irrespective of the relatively high price.

The brand and total in-store customer experience remains vibrant, yet exclusive, and most locations limit the
number of customers at any one time, especially at peak shopping hours and seasons.

The brand has had strategic investment in the 1950s, 1970s, the 80s and 90s at intervals of approximately seven
years; however the formula remains consistent so as not to disturb the fundamental core essence of the Venecia
core brand values. Fashion shows, celebrity endorsements, media and film visibility and close fashion–media
relations have been a winning formula. The challenge for Venecia is how to evolve and yet remain the same; it is
a paradox which has to be managed. This has been achieved by holding stocks of classic (signature) goods. This
is across all product ranges and is viewed as core business. In addition, there are seasonal colours, new designs,
and new products added and deleted to keep the brand fresh in appeal and contextoally relevant to trends and
seasons.

At times of periodic heavy investment in the brand, it is known that Venecia have some of the most expensive
advertising campaigns in the fashion industry. It is well known that to remain competitive in this high-end retail
clothing and apparel sector that there is a need to break with convention from time to time and achieve market
visibility, and in so doing reinforce brand identity and emotional appeal.
With a 100-year success story, the concern of the board is: how can we ensure that we will be there for the next fifty years to join the ranks of some of the most famous brands in the world, especially as we may have to move towards a new form of ownership as time goes on?

Venicia view their success as being driven by:

- The family culture of passion, sensitivity, creativity and care for employees, together with a strong sense of value and quality and taking good care of customers.
- Contractual growth remaining stable and growth achieved in profitable sales by production and marketing probably linked to market expansion. In so doing Venicia keeps its place in the top ten of the fashion, apparel and accessories, and fragrances industry.
- Systems that enable the board to have business information at their fingertips with strong information and communications technologies.
- A business cycle of six months keeps the company highly energized, with pressure for innovation where business domain execution cannot be deferred because new product development is an ongoing process.
- A focus upon being efficient within the company and at the same time being effective at the interface with customers and suppliers.
- Rewarding productivity to ensure that all employees share in the sustained success of the business.
- The brand is a way of life, it is loved and lived, 365 days a year.

However, the board considers that they do not have a formularized business strategy, they simply move from season to season; and so they are seeking advice on what it is that they could be doing better in order to preserve the future.
They have asked you as a group of consultants with experience in family-oriented business to prepare a report for the board to advise on business strategy for sustainable sales, having spent some time inside the company on some initial groundwork.

Questions

1. You are required to present to the board a report on the requirements for a more professional approach to business strategy.

2. You are required to advise Venicia on the essentials you consider necessary for sustaining sales in the longer term.
Specimen Solution

Report to the board of Venicia

Subject: Business strategy for sustainable sales presented by the consultancy team

Rationale

The Board of Venicia have requested an interim review of our findings to date in order to present findings and recommendations for action to be taken in order to protect their brand positioning and business performance for the longer term. They seek a transition from a family-based business culture to move toward a more strategic and professional approach.

Terms of reference

- To highlight gaps in business strategy and propose essential needs for the future
- To review sales performance and operations in order to make strategic recommendations for future change.

Approach taken

- Selected retail stores were visited to absorb the working culture at the sharp end of the business, witness customer buying behaviour and observe the customer experience.
- Discussions were held with board members and members of the senior management team to complete a strategic management, marketing and sales health check in order to propose actions for change.

Contents of the report

- Business strategy
- Roadmap
- Direction
- Projections for core business
- Vision mission objectives
Empowerment structure
Marketing structures
Team based ownership
Planning protocols
Alignment of operations to business strategy

- **Long term sales sustainability**
- Observations
- Revised formula
- Customer database
- On-line sales
- The customer experience
- Sales and service competency

**Recommendations for the company**

**BUSINESS STRATEGY**

**Roadmap**

From the discussions held, it would appear that there is no strategic roadmap for Venecia as a whole to show the medium-to-long-term future for growth and business sustainability. As a family business, this may not be essential; however, if new forms of ownership are being anticipated, any new investors would require a clear sense of the future of the business to be communicated. The roadmap is also needed to assess future resource requirements in terms of human capital, informational capital, finance and time.

**Direction**

Middle management staff have commented that the business lives from season to season and for the next season’s collection only. A sense of longer term direction is needed for these staff. They love the company; they love their work, but are restless and keen to know the company’s future direction.
**Projections for core business**

For many years, the core business has survived well on classic items within each product range; even items such as iconic and limited edition handbags sell at a premium when sold on to new owners. This brand affinity is almost unexplainable because customer demand appears relentless. How long can this last? The concern is that there is no communicated product strategy for the longer term. For a 100-year old company, should strategic diversification be considered? There is a concern that the company may ‘rest on its store’. It may be time for a company think-tank to explore new options, while there is time and financial capacity. Even the development of a Venicia sub-brand may be an option, as many luxury brands have done this to spread risk and claim an increased share of the wallet in the fashion apparel market.

**Vision mission objectives**

For over 100 years, there has been no vision, mission or objectives communicated for the corporate development of the business. The business, it is claimed, has been blessed by inspirational leadership, committed staff and sustained customer demand. Today, many companies of the size of Venicia have these managerial essentials in place to aspire to and give inspiration to all stakeholders as a clear sense of purpose is communicated. The impression created is that the company lives for today without sending messages for the longer term.

**EMPOWERED STRUCTURES**

Currently all decisions of a strategic and operational nature are passed to the board for endorsement, which puts enormous pressure on the board on the one hand, but on the other does not allow managerial capacity and leadership to develop down the ranks. As competition has globalized in this industry, Venicia’s competitors are hiring management experts from multinational organizations from the food, banking and hospitality industries to upgrade the managerial capacity. Venicia must not fall behind, therefore middle management feel that a revised approach should be taken to achieve improved levels of organizational agility through empowerment.
MARKETING STRUCTURE

Currently, there is no marketing structure, no marketing directions or marketing manager, the organization is product-centric and sales-oriented and even until now, this has worked well. In moving ahead, Venicia will require a marketing strategy to leverage customer value propositions for sustainable growth. There is no doubt about such need. Currently Venicia is lucky because demand exceeds supply in certain product categories. The question being raised is ‘for how long?’; furthermore, the company could benefit tremendously from a more marketing-oriented approach to business and in so doing support sales operations.

Apart from heavy advertising campaigns, corporate public relations and corporate social responsibility, all of which are designed for awareness, there is no customer strategy in place. This is why a marketing structure must be given serious consideration.

Team-based ownership

The team-based activities at fashion shows and fashion conventions display commitment and cohesion. All stage management is well rehearsed and appears as a well-oiled machine to support the depth and equity of the brand. Internally, departments often work in silos, in isolation from each other, purely focused upon department-based output. A team-based approach could change these perceptions, especially if structures are empowered for decision making. This will in fact force change in the current organizational culture which is driven by inspirational leadership.

The board may wish to reflect upon the relevance of the existing culture for the future of the business. This is a painful examination which many organizations have had to pursue in order to remain relevant and remain ahead.

Planning protocols

The planning for fashion seasons and product planning for new collections is excellent and clearly something the company has grown up with over decades. However, business planning is based upon a budgetary control framework only. There is no marketing plan or marketing planning. Promotion is left to the advertising agency
and there is no plan for customers at all. The sales plan is also based on product and market volumes by location. While business is good, this is fine, but it is not professional.

Alignment of operations to a business strategy

It would be beneficial if a new planning protocol enabled each department to produce business plans, and these were aggregated into a business plan for Venicia. If this were completed for a one-year operational planning period, much could be learned. The planning horizon could then be stretched from one year to say, three years so that a vision for the future is seen with well-defined objectives which then drive the budgets. At the moment the budget drives operations. Again, in the search for professionalism, this is essential. Moreover, actions can be confirmed well in advance, not on the spur of the moment. A more professional managerial mindset is then created.

The above comments have been formulated based upon observation and enquiry together with feedback from key managerial positions across the business. A follow-up meeting will be needed to confirm the action required and the next steps to be taken.

Long term sales sustainability

Observations

From our observations, sales have been sustained well throughout the history of the organization, with sales volumes reflecting the economic cycles, both regionally and globally, although during the recent global financial crisis, where many in the retail sector have been affected, this has not been so with Venicia. This confirms the belief that ‘the product sells itself” because classic items have sales continuity and seasonal items normally sell within the designated seasonal period. The company policy of leaving the seasonal collections on the shelf through the seasons until they are sold works well. Moreover it overcomes the need to return volumes of inventory.

However, the sales strategy at work is product-centred and not customer-centred.
Revised formula

A revised formula may be to consider:

• Customer acquisition to acquire new customers to the brand via first time ownership of an item from Venicia
• Customer retention by cross-selling and up-selling items to build customer loyalty to the Venicia brand
• Customer referral through membership of the brand.

Such strategies would need to be global and carried through each retail store, and of course be internalized.

Customer database

A customer database would be needed to support this strategy, and at the moment the exclusive position commanded by Venicia would support this. The commercial potential to leverage sales through the database should not be underestimated. Moreover, it will improve customer relationship management and monitoring.

This initiative would not only help to drive future sales for the longer term, but it would also add to the professionalism of the sales strategy.

Pricing

Currently the pricing strategy is based upon a cost-plus model assessed in multiples of the ex-works price from Italy. It is only exchange rate disparities and varying levels of goods and services tax (GST) which presents a challenge in maintaining the retail selling price. The advantage of being able to preserve the cost-plus approach is that it is easy to monitor profit as well as sales revenue, even on a daily basis as store performance is recorded and related back to the Italian head office in real time.

On-line sales

One area of concern is high GST countries, such as the UK, where products can be purchased on-line at a lower cost and there is a potential for channel conflict between direct and indirect sales. However, our observations do
not support this concern at the current time because sales are buoyant. Equally, because Venicia does not
franchise its retail business, all stores being owned, it is therefore clear that all reported sales go back to source.
Currently on-line sales are less than 15 per cent of global volumes.

**The customer experience**

This is one of the most fascinating aspects of this consultancy experience. Customer buying behaviour is indeed
a rich experience, especially because at Venicia, a purchase is a high involvement process. Time taken to decide
is, therefore, more lengthy, which requires patience and training for sales staff. One critical factor for sustainable
sales success is the demeanour of the retail store sales staff and level of attention to the service detail.

We discovered some differences here within and between retail stores, especially at the initial interface with the
customer. As consultants, we engaged mystery shoppers of different nationalities to track the sales encounter
experience. Overall the experience was good and often compensated for by customer excitement at the point of
sale within a store ambience of exclusivity.

On occasions, our research team experienced an aloofness and arrogance which is inappropriate. It was reported
that a common practice among sales staff was to assess the potential walk-in customer with their eyes before
making a greeting. Clearly this was a form of customer assessment to see if the potential customer has the
capacity to buy Venicia. To the more sensitive customers, this would be a ‘turn-off’. Today dress code is not an
indicator of ability to purchase and this should be highlighted in staff training sessions.

**Competency**

Overall service competency was technically very good, product handling by sales staff was professional, and the
level of courtesy and care was beyond expectations. In other words, the brand experience is being ‘lived’ at store
level.
It is clear that there is a very positive working culture at Venicia, reflected by the family values, leadership and ownership, which supports the sales staff in managing the value propositions of the brand.

In summary, most of our findings were very positive; the depth of selling experience really shows. Each retail store is a showcase for the brand. If anything, attention could be devoted to customer experience management through a clearly communicated customer strategy.

**Recommendations for the future**

It may be both interesting and beneficial to conduct dedicated ad-hoc research into the consumer-buying behaviour for the Venicia brand, and perhaps start with one focused area, e.g. handbags, to determine:

- Motive that induced the first Venicia purchase
- Meaningful value derived from the initial purchase
- Motives to sustain purchase into a second item
- Value derived from becoming brand loyal and adopting Venicia as a brand of chance
- Strength of brand switching to substitute products of Venicia is not available
- Time taken in the purchase and re-purchase decisions
- The real buying occasions.

Answers will provide valuable insights into what has become known among many as ‘retail therapy for ladies’.

**Case Study - Bank AL-ALM**

**Towards customer centricity and building the brand**

Bank ALM, formed in 1998, is a fully-fledged Islamic retail bank dedicated to the provision of Islamic financial products to both Muslim and non-Muslim customers, with over 100 branches and 2,000 employees throughout the Far East, the Middle East and London, with a head office operation in Bahrain.
The ambition of the Bank is to lead the Islamic banking field by being the customers’ Islamic bank of choice, regardless of race, creed or religion, and in so doing, give an incremental return to shareholders through a cohesive culture and work ethic supported by shared values of integrity, honesty, governance, risk control, innovation and respect for all in servicing bank customers.

The board of directors is strong in banking experience and has high expectations for the sustained growth of the Bank. It considers that a climate of change is healthy in the belief that the only real differentiation is Bank ALM people. This is currently a strategic theme driven by the new chairman, who is seeking to achieve the world number one position in Islamic banking within the next seven years; but to achieve this goal much has to be achieved within industry governance structures and guidelines, in market relations and internally, and throughout its subsidiaries. The subsidiaries are engaged in investment banking, Islamic insurance and venture capital, as well as asset management. In each of its country operations, strong relations have been established and maintained with the national banks, the monetary authorities and government.

The visibility of the Bank is enhanced through an active commitment to corporate social responsibility both in the workplace and in the community. Bank recognition has been achieved through a service of industry-related rewards for product innovation and managerial performance. Currently awards are being applied for regarding brand recognition in the field of Islamic banking and finance.

Innovations are now being prepared in the domain of Islamic wealth management as a ‘new to the world’ initiative. Bank ALM see themselves as leaders in the field of innovation in Islamic finance. Financially this is supported by healthy growth and impressive financial metrics, with an asset base exceeding US$15 billion and fiscal year end profits of US$700 million.

Apart from consumer banking, which has developed strongly in Muslim markets, commercial banking, corporate banking, treasuring and capital markets are well-supported. The consumer banking is noted for its electronic and mobile banking innovations. Al-ALM Bank has one of the largest dealing rooms for foreign
exchange and money markets in the Islamic banking industry. Marketing is focused more upon public and corporate communications, bank image management and medic relations. Internal marketing is well-managed through an employee portal which is comprehensive and well-valued.

Current challenges are in the automation of manual processes at the bank to reduce turnaround time and costs. A new exclusive on-line channel for corporate customer interface has been launched recently to provide a web-based solution that will be more flexible for corporate customers. In so doing, enhanced customer service levels are being achieved through the streamlining which has occurred.

The Bank is committed to delivering better service to customers and doing this by embracing technology to provide some of the most modern banking services in the banking world to its near 1 million customers.

Banking through a multi-channel capability is crucial when customers require convenience and may soon not consider the bank’s branches as a priority channel for doing banking business. One of the challenges Al-ALM faces is management of the branch overheads, as retail banking in its classic form becomes less profitable. Web-based cash management solutions for companies will provide a huge leap forward, so that the constraints of time and geographic distance can be overcome to provide anytime, anywhere access to information. In turn, this helps the Bank with liquidity management, managing clients’ short-term investments and cross-border payments. Customer experience is enhanced through quicker implementation and economies of scale.

Al-ALM see themselves as an Islamic bank at the cutting edge of technology for an engaging and sustainable partnership with customers by offering real-time transaction processing with a secure architecture for safe transactions.

The Bank invests in its human capital and currently has an internal talent management programme for high potential middle-management staff. The design of this 18-month, part-time programme has action learning projects as a core feature. Participants upon completion would look for promotion to a new position of
The talent group has been asked to prepare initial thoughts in two strategic areas for the Al-ALM bank.

- Implanting customer centricity
- Al-ALM brand building.

THE SPECIMEN SOLUTIONS BELOW REPRESENT CONTENT FROM THE TALENT GROUPS

Implanting customer centricity

The origins of customer centricity are embedded in the essence of the marketing concept in the belief that profit comes from customer satisfaction. This isn’t rocket science. However, achieving satisfied customers remains a perpetual challenge. There is a need today to make customer centricity work because competition is intensifying, markets are globalizing, and there are new performance measures and metrics with varied levels of accountability of results. Moreover as customer centricity becomes part of the corporate agenda, top management are awakened to the fact that it works! Today there is progressive acceptance that customers drive corporate evolution and therefore customer-based strategies may provide new solutions to meeting the ‘shareholder value gap’.

It has been accepted that corporate sustainable growth can only be secured through managing customers and the customer experience proactively for customer acquisition and retention. There is of course a learning process from not knowing about customer centricity, to knowing more, to knowing how. In short, organizational learning and development are required to impart customer centricity as a working business philosophy and culture.

What is customer centricity?
To capture the essentials of customer centricity, the following statement will capture the essence of this approach to business. It is a total organizational commitment to the adoption of the marketing concept as a working belief system for business, whereby existing and future customer needs, wants, values, expectations and experiences are at the epicentre of all managerial decisions. This must be supported by a relevant operating culture for the achievement of progressive shareholder value through confirmed customer satisfaction. This description will challenge many conceptual frameworks for business, whereby historically the company was at the centre of all business together with functional departments of production, sales, R&D, finance and HR.

Once the company delivered products and services to customers in a market environment hoping they would be sold at a profit. This perspective is changing whereby ‘the customer’ is at the centre of the business. Systems for strategic planning, strategic marketing and sales planning, integrated business functions planning and customer management are all founded upon the delivery and development of customer value anchored on a well-experienced brand identity. Through this identity, market sensing can be researched, positioning tracked and leadership by segment be achieved simply by ensuring the customer is indeed at the epicentre of management decisions and business innovation.

In this way, future corporate ambition is achieved through the total customer experience. The brand, corporate culture, climate and energy, the management team and structures, channels, partners and alliances, the product portfolio, operations management and backend support; all have a part to play. It is a company-wide commitment.

Collectively these imperatives all deliver the customer experience. Therefore this experience needs to be managed. This requires at least the following:

- Customer segmentation and segmentation strategies
- Systems for customer classification
- Key account management
- Customer tracking and life-cycle management
• Database, data marketing and data mining
• Customer information systems, history and ease of access
• Customer relationship management diagnostics and operations
• Training for all staff at the interface with customer
• Customer touch-point recognition, prioritization and management
• Customer service systems
• Integrated communications
• Performance management
• Sales.

These basic requirements alone make this challenge of customer centricity daunting. If these imperatives are not attended to, the corporate ambition for recognition, leadership, market outreach, competitive positioning and the building of the brand may not be realized.

**Critical questions at this stage**

Fundamental questions must be answered to begin this journey:

1. Do you know who your customers are?
2. Do you have a customer database?
3. Do you segment your customers?
4. Do you have a segmentation strategy?
5. Do you have enough information to plan future marketing strategies?
6. Do you know the revenue and net free cashflow by segment?
7. Do you know where future growth is to be achieved?

The chances are that all this means there is a lot to be done to get to first base.

**Customer centricity as strategic intent**
Vision, mission, core values, and core competencies all need customer focus so that corporate-level objectives can be proposed from the platform of the case studies. Then, value propositions and value-based strategies can be crafted for the customer through relevant routes, channels and networks. Structures and processes can be reviewed for relevance and resource adequacy, together with customer-focused systems for performance measurement. All of these need to be anchored in the brand identity, which translates into actual and implied brand promises.

**Further critical questions**

1. Do you know your brand identity from a customer perspective, by segment?
2. Do you have a vision and mission statement with attached core values for achieving such? Are these customer-focused?
3. Are customer-based competencies measured and tracked?
4. Is the concept of customer lifetime value understood?
5. Who is responsible for the total customer experience within the organization?

**Finding a customer-centric identity**

To establish a meaningful answer, a series of dimensions of the ‘brand’ identity need to be researched to confirm ‘Where you are now?’

Customers must have an affinity for the company otherwise there will be no business. It is essential to know what is really valued and why; also to establish which of these values will be relevant in the future. The affinity among and between stakeholders is what keeps customers in particular coming back and keeps opinion leaders faithful to the brand. Perceptions of the ‘identity’ are the reality in the minds of the actual and potential buyers. Tracking these perceptions for market place relevance periodically is a fundamental requirement.

Brand identity is also established by getting answers to the question ‘Who are we?’ via the minds of customers, furthermore to establish what we lead at to gather a measure of the ‘possibility’ that is portrayed in the market.
In more functional terms, our identity is related to the product and service portfolio of the business. However, it is important to ensure that this remains relevant, especially in markets where competition is intense and customer demand changes.

To further explore our identity, another key question is: ‘Are we really engaging with channel members and customers?’

It may be appropriate to review the company’s communication competencies and deliverables. These cannot be taken for granted.

Communication internally must also be reviewed to ensure that there are no meaningful issues here which may inhibit the development of a customer-centric culture in the workplace.

Collectively, the gathering of these impressions helps to answer the questions:

- Who are we?
- Where are we?
- How are we valued?
- Are we still relevant to the markets served?
- What is needed to ensure we remain relevant?

**Value propositions**

The most relevant set of connections between the company and the customers is through the value propositions delivered, which influence buying behaviour. These value propositions should be ‘superior’ to those of the competitors to ensure customer loyalty is upheld through repeat purchase.
These value propositions should be:

- *Emotional* as embedded in the brand identity and manifest through customers' brand preference
- *Functional* to deliver what is promised through product and service features
- *Competitive* to provide something distinctive in the mind of the buyer
- *Differentiated*.

It is through these value propositions that value brands are established with customers. This in turn provides a platform for customer relationship building and thereafter the management of the total customer experience. Knowing the value-based interdependencies between company and customer which are anchored upon brand identity is absolutely essential for customer-centric strategies.

**Trust**

The foundation of a customer-centric approach is to establish and maintain trust between the company, its customers and key stakeholders.

A critical question to be answered is:

- Do you have the trust required to acquire and retain customers? How do you know?

Sales and market share figures are not enough. Knowing how and why these results have been attained from a trust perspective will provide much needed insights.

**Trust-based customer strategies**

A customer-centric approach to business requires trust-based customer strategies for business sustainability, what are these?
- **Customer acquisition** - winning new customers
- **Customer retention** - keeping customers who have been won
- **Customer value creation** - increasing these customers and achieving repeat purchases through customer loyalty and then relevance of company value propositions which convert to sustainable sales
- **Customer research** - innovating with customers
- **Customer partnerships** - living commercial life together for long-term bonding in business
- **Customer experience** - lifetime engagement with customers.

**The need for measurement**

From a top management perspective, the question that will be most pressing may be: How will we know that these strategies are working?

Customer metrics will be need to ensure that performance can be measured and reported, which in turn will lead to justification for our customer strategies together with a top management mandate to continue.

If customer centricity is a challenge to define and implement, it will also be a challenge to measure. However, if it cannot be measured, it cannot be managed, so the need for measurement is obvious.

**The route for measurement**

A Customer Centricity Performance Index (CCPI) can be established from an array of value-based perspectives. These can be determined from the ‘customer touch points’ with the company, which collectively make up the total customer experience (some companies may use a customer satisfaction index).

Metrics can be obtained by researching segment-based transactions together with the associated expectations from existing and potential customers. It is important to note that these metrics should be determined by customers, and not by the company, to reinforce customer centricity as a working philosophy.
The adoption of some system of measurement in itself will help to inculcate customer-centric values within the organization. Periodic measurement is required to ensure that customer-centric deliverables are monitored. A ‘dashboard’ of Key Performance Indicators (KPIs) can be used from the metrics selected and be reported upon on a regular review basis, maybe quarterly or even monthly if appropriate.

Accountability is then attached to the KPIs for managing the customer experience. Therefore a series of metrics is required with robust methods of measurement to ensure that feedback is valued, reliable, accurate and timely. These measurements will help to assess tactical performance in all customer-facing areas of the business. They will also help to review and substantiate customer experience objectives, which in turn will embrace the essentials for achieving a customer-centric organization.

**Sample metrics: hard factors**

The following is a typical selection of sample customer metrics for periodic measurement so that the reader can absorb the essence of this subject.

- Number of customer gains this period
- Number of customer losses this period
- Customer acquisition value
- Accounts won back
- Customer base retained
- New account referrals
- Re-purchase volumes and value
- Customer purchase activity rates
- Number of inbound enquiries
- Value of customer defections
- Order turnaround time
- Customer history in years
• Number of customer complaints
• Cross-selling rates
• Total CCPI score this period.

The measurement tools are normally achieved through personal surveys.

**Sample metrics: soft factors**

The soft factors are more subjective, but if repeated periodically through an appropriate range of measurement tools, it is possible to monitor performance. These factors again should be determined by the customer. A sample of soft factors would be:

• Communication clarity with company front-line staff
• Contact accessibility with customer account staff
• Product knowledge at keypoints of contact order fulfilment
• Perceived value for money
• Accuracy of information given
• Interpersonal engagement with managerial staff
• Customer recognition systems
• Contact accessibility:
  • Phone
  • Physical accessibility
  • Email
  • Car parking
• Responsiveness
• Switchboard efficiency
• Diagnostic skills
• Provide a total solution
• Follow up
• Is there a feel-good factor in the total customer experience?
• Total CCPI score for this period.

**Desired outcomes**

The impact of measurement and the periodic reporting of performance should comment on improvements in customer value as well as in customer loyalty through customer retention. Over-time increases in profitability should be forecasted arising from the creation of valued relationships manifest through the total customer experience.

In addition, the monitoring of company performance for customer management as assembled through the Voice of the Customer (VOC) will help to build incrementally a customer-centric culture.

Customer centricity requires a sustained search for value expectations, and then the delivery of such value to customers by segment in order to achieve the goal of shareholder value gains from customer loyalty.

**Note to the talent review board**

The above paper outlines the classic basics of the subject of customer centricity. We now need to have a workshop with Action Learning Project sponsors to determine what is now actionable for Al-ALM Bank based upon this core content.

From thereon, a conceptual model will be developed for application, adoption and implementation, subject to board agreement and a clear mandate for the way ahead.

**BANK AL-ALM BRAND BUILDING**

**What is in a brand?**
A brand is a name from which an identity is built over time, i.e. from a brand name to a brand identity, just as we as people are given a name at birth and then develop our own identity, character and personality.

The brand name is also a device for legal ownership, a differentiating device for products, a symbol of confidence for brand-conscious buyers and which over time provides a relationship between the product or service at representations and the brand name itself.

If we were to personify ‘the brand’ and bring it to life, it could be proposed that a brand holds a form of genetic programme from its heritage, which will condition the future for its offspring (i.e. products).

It could be argued that legal brands therefore have separate identities and have unique DNA. Therefore, each brand is unique.

**What purpose is served?**

There is an inspired phrase connected to each and every successful brand, therefore the quality and consistency of the ‘brand experience’ through managing customer expectations is of paramount importance.

The effect of this is to create a unique position in the customer’s mind, known as ‘brand positioning’. With consistency and continuity of the total brand deliverables, it is plausible that the brand will outline the product.

**What does this mean for business?**

When customers buy brands, they buy identities. The brand therefore adds value to core product features by adding an identity. Buyers attach associations to this identity which in turn helps build a personality for the business. Brands enable a business to set a purpose, meaning and direction to which employees become attached and customers achieve affinity.
Over time, value can be attained to the brand as sales volumes, values, margins and market outreach is achieved. Customers are acquired and retained, and achieve brand loyalty. In turn this value is known as brand equity.

Both direct and indirect brand equity will influence shareholder value and have a strategic level of business management through branding as a board room agenda.

For the marketing manager, the role of brands can be considered as a source of future income streams and also, according to how these brands are positioned, an instrument for driving higher margins. It is also through the range of brands that market segmentation strategies can be designed and implemented. In simple terms, the strategic development of the business can be brand-based and practical investment be leveraged from the brand.

At an operational level ‘the successful brand’ is a secure brand upon which to achieve distribution penetration and ‘face’, and the marketing channel to perform, provided the essence of the brand is connected with appropriate messages for the market, opinion leaders and all relevant standards (including employees).

**Brand essence – the epicentre**

A brand essence gives purpose and meaning to the future direction of the brand; it helps in navigating the brand and in turn prevents brand development entering a blind alley.

In simple terms, successful brands are new brands aiming for success must have a fundamental meaning for the buyers. Both buyers and customers need to know what this is. So what is its brand essence? *It is the fundamental core purpose and leads up standpoint from where the brand speaks.* So therefore everything a brand communicates must confirm its essence.

For example:

- **McDonalds**  Fast food service with food quality joined to family values and fun.
Domino pizza    Order or create your own Pizza for home delivery
Chillis   Great Food, Great Hospitality, All with Chilli Pepper
KFC    Fast fried chicken for chicken lovers.
Pret-a-Manger   Healthier food for people on the go.
Starwood Hotels  A World-wide, World-class loyalty programme
National Geographic       Official Journal of the National Geographic Society
Wella     Personal hair treatment products just for salons
Panadol Over-the-counter relief for headaches, cold and flu
Hertz   World’s No. 1 car rental provider.

It is from this essence that brand development, known as brand strengthening, can be based. For example, Virgin, from mail-order records to record stores to recording, publishing and video, film/TV and so on, the essence of the Virgin brand being attached to Sir Richard Branson as the iconic entrepreneur. Another example would be Honda, where the brand essence was based upon the Honda engine and large motorcycles as well small motorbikes, to a range of cars, to marine engines, snowmobiles, and so on.

These brand-stretching strategies would not have been viable had the brand essence not been secured and thereby the credibility of product development been within the acceptable frame of reference of buyers.

**Brand building – end to end analysis**

Analysis is needed for customers, competitors and for the company to provide a basis for commencement.

Customer analysis should comprise segmentation and customer profiling within segments, so we know how the market is to be served. Customer buying behaviour and changes in buying trends must be known so that the ‘motive to purchase’ is captured.
The motive for re-purchase should be known through research. This information will help in the development of a message strategy for the market.

In particular, it is important to know the ‘unmet needs’ so that the brand deliverables ensure alignment between what is needed and that which is provided.

**Self-analysis**

The heritage of existing brands should be known as a potential basis for leveraging the past for the future. Working organizational values will be important to obtain because any existing belief system may be transferable to the identity of the brand(s) to be built.

Competencies and capabilities, resources and networks, all provide useful information. A simple SWOT analysis may be the most effective way to achieve the results required, failing which a more detailed marketing audit may be needed so that the need for assumption setting is reduced.

**Competitor analysis**

Existing competitors within the selected market domain should be known and in particular their market position identities and prevailing image(s), so that an attempt at understanding the competition can be achieved.

When assembled together this analysis of customers, competitors and self will answer the question: ‘So where are we now?’

**The brand vision**

The question to be answered now is: ‘Where do we want to be?’

The strategic intent for the brand has now to be crafted.
The brand essence, brand values, brand mission and brand objectives by category have to be understood and stated.

The brand essence as outlined earlier supplies the anchor to the brand identity; brand values provide a belief system for the custodianship and provide a basis for building a brand culture. The brand mission is needed to provide direction and purpose within the market domains which exist or are projected.

This part of the brand building process is designed to provide strategic intent for the brand and its future success.

The brand vision can only achieve an acknowledged identity through the eyes of actual and potential customers. This identity will be built over time as a result of a number of inter-related factors impacting on customer and other stakeholder groups.

This identity can be traded periodically to know how the brand is being perceived and valued to ensure that the perception is in line with the brand vision.

While the dimensions of identity are mutually supportive, it is helpful to separate out those key elements which collectively make up a brand’s identity.

This attempt to examine the identity of the brand will also help to account for the internal brand energy as manifest through brand management and associated employee attachments to the brand, as well as the external interface in the external marketing channels. There is no particular sequence to follow, as long as these key aspects are given due consideration.

**Brand identity elements**

*Functional and physical*
What is the product category, product range provided, product purpose served, its functionality and design, what is it that the brand does?

The acknowledgement evolves with exposure to the market. The purpose here is to identify the product(s) with the brand name to establish a connection in the minds of actual and potential buyers. This helps to provide a very simple basis for the present positioning through a brand name identity and through market visibility.

**Affinity**

This element is absolutely critical to determine and to develop. Key questions to be answered are:

- What draws buyers to like the brand?
- Why do they purchase?
- Why do they purchase again?
- What is really valued?
- How does the buyer feel when the brand is used?
- What would prevent the buyer from switching to a competitor’s product?

These dimensions of customer affinity, which are cognitive, need to be linked to anchor purchase behaviour. This understanding reinforces the competitive positioning of the brand. Furthermore, it tests the ‘relevance’ of the brand within its category.

In turn, this affinity is cross-referenced by the profile of the buyers, and this will deepen the understanding of the market segments served. In simple terms: who buys our products and why? What is the real basis for this trust?

**Perception**
The perception is the clarity within which the brand is seen. It is the association in the mind of the buyer upon how the brand is seen. It should answer the simple question, ‘A brand for what?’ For example, Rolex is a brand for luxury wrist watches; Prudential is a historical brand for insurance products; Levi’s is a long-established brand of denim jeans.

Therefore, whether the perception is favourable, unfavourable or relative in its composition will provide further depth. The perception in the mind of the buyer will naturally fall into a framework of quality and price and then a perception of the anticipated customer experience.

**Personification**

A simple but challenging question could be posed: ‘If this were a person, who would that person be?’

In this way the answer will help to propel the brand into life, and provide a basis upon which a ‘brand story’ can be built around the perceived brand hero, and thereby add personality to the brand. This facet of identity can also help with the building of communications strategy to carry a message for the brand.

**Brand values**

To build depth into an identity, we need to raise the question, ‘What does this brand stand for?’, so that a system of core values becomes clearly communicated and thereby embedded in the operating culture. Among those values connected with the brand are those such as ‘customer first’, ‘embracing innovation’, ‘fun’, ‘openness’, ‘hours of partnership’, ‘caring’, ‘sincerity’, ‘compliance’, ‘engagement’, ‘trust’, ‘design leadership’, ‘consistency’.

It is through these values that bonds are built between the company and the customer, through the brand.

**Brand relationships**
These are particularly important with trade channels to establish preferred partners for growth, for example, where working together at strategic, operational and transactional levels builds synergies from which win-win outcomes are achieved.

The credibility of the relationships will be founded upon delivering actual and upheld promises to partners, customers and customers’ customers.

Tracking, from time to time, the value of these relationships is vital, to ensure that the assumptions held by all partners remain relevant with the environments in which all partners participate for mutual gain.

*Brand positioning and propositioning promises*

Brand positioning is a focal point for brand building. The purpose is to secure a place in the mind of the market. Positioning maybe an ambition for the company, but the reality is that positioning is achieved through the customers. It is the customer who positions the brand relative to the competition. It is the company’s task to be able to achieve the desired brand position in the minds of actual and potential customers.

Therefore positioning is at the very heart of brand building, but it depends upon a careful use of market segmentation because brand positioning is achieved *within* defined market segmentation unless universal market appeal can be achieved, which is rare.

Segmentation and positioning therefore go hand-in-glove with targeting to achieve effective segment penetration and market research.

Astute positioning for any brand must achieve competitive differentiation by projecting the ‘real’ advantage being offered and being absolutely clear about which customer’s unmet needs are being fulfilled. Furthermore, such intended deliverables must be substantiated as being credible, and therefore be delivered consistently.
The desired position for the brand can only be achieved through integrated marketing communications, where careful planning and control must be given to message development and transmission, and relevant media exposure to the defined market.

Such positioning is really achieved through a series of value propositions which are related to customer’s unmet needs and expectations.

To really know if this has worked a more sinister question can be put to loyal customers: *What would you miss if the brand has withdrawn from the market?* The answer will give a more real understanding of how the brand is positioned.

To ensure alignment between such customer feedback with the implications for the brand by the brand strategist, value propositions must be well-communicated, relevant, timely and be communicated in the language of the customer, not the language of the company (unless this is justified). Herein lies one of the best secrets of brand building, brand recognition and brand recall.

Brand propositions must therefore be functional to show what the product can do; they must be competitive to show where the points of differentiation are; and of course have an emotional proposition which connects to the brand essence.

For these propositions have to be communicated effectively and often collectively there should be a promotional execution (or tagline), for example, ‘Just Do It’, ‘Open Up’, ‘The World’s Favourite Airline’, ‘Your Total IT Service Solutions Provider’.

The flow therefore could be proposed in the following sequence.

1. Segmentation and targeting
2. Positioning
3. Propositioning
4. Promotional execution.

Through this process the following questions can be answered:

- A brand for what?
- Why buy it at all?
- Who should do so and when?

Promises

It is through communicated value propositions that explicit promises are made. It is also from the identity and visibility of the brand that implied promises are made. To build a brand both explicit and implied promises must be kept and renewed, otherwise the brand position is at risk of erosion.

Credibility

In the building of a new brand, which is both costly, risky and resource hungry, the issue of credibility may arise. Key questions are ‘Where does this brand come from?’ ‘From where does this brand speak?’ The buyer is in search of ‘some credibility’.

For example, two budget airlines have been launched in Singapore and Malaysia respectively, namely Tiger Airlines and Fire Fly.

Sales were subdued until it was revealed that each airline was a subsidiary of each country’s national carrier, namely Singapore Airlines and Malaysian Airlines. Sales are increasing significantly as the credibility issue has been addressed. Customers will search for source credibility if the brand is not known and there is a high level of perceived risk arising from product purchase and usage.
It is worthwhile to note that the success of a new brand successful may depend upon the heritage of existing support brands.

**Brand organization**

Thought should also be given to the existing and future architecture for the brands in question. Is there a brand hierarchy? For example with credit cards by colour (green, silver, gold platinum, titanium), even they are under just one umbrella brand from the credit card company.

Different branding system strategies can be envisaged:

- The simple product brand
- A product line brand
- A product range carrying the same brand
- An endorsing brand
- An umbrella brand

So, where does this brand fit? What is the future anticipated architecture of which this brand is a part?

Future innovations have to be taken into account as well as future competition.

**Brand building implementation**

Implementation of the brand building strategy will be achieved via a master briefing to respective agencies for creative development and execution to undertake appropriate brand symbols, visual and verbal codes within any existing policies and protocols.
The master briefing must be clear about the target market to be re-entered, the message strategy to be embedded, creative visualization, and the extent to which the brand and its identity will be campaign areas in the longer-term with respect to brand-based communications.

**Measurement**

The measurement of brand development is at the forefront of any discussion on brand building, the question being ‘How can we ensure a return on investment?’

Brand value is often assessed through the term ‘brand equity’, which is in effect a measurement of volume, derived from price and perceived quality.

However, brand equity goes much deeper than this because it can be measured by the set of assets and liabilities linked to the brand. Therefore measurement of brand value must be associated with those ‘attributes’ which connect the brand to these assets and liabilities, and in which brand management has a critical role to play. This will depend upon the brand, the market, competition and other environmental factors.

However, there are some more generic sources to which brand value is attributed, for example:

The ‘top of mind’ recall for a brand within a given category of the international reach of the brand category, the legal protection of the brand and associated trademarks. The most fundamental value is the ‘customer value’ attached to the brand expressed by the number of customers and the value of their accounts. This provides a measurement of brand loyalty.

In some markets for established brands, the value of perennial quality for which a price premium can be charged is a further measure of brand equity. Establishment of a robust methodology of course remains a challenge because there is no built-in formula which can be applied.
It is, however, well established that the value of a brand goes well beyond the cost of the product/service; it is this ‘value gap’ which can also be considered as a measurement of brand equity.

Consider this notion:

*If one takes the brand name Rolex away from the watch, what is the price at which that watch would be purchased? Hence the value brand equity for Rolex.*

This may be a simplistic view, but there is an element of truth to be considered. Rolex has brand association of precision engineering, quality, durability, investment, a ‘watch for life’, and so on; all these assumptions are part of this value in the brand which we refer to as brand equity.

Measurement of this equity can reach further to channels, to employees and other stakeholder groups. As the brand builds, the potential value also builds, but the challenge is how to administer a measure of brand equity which can be replicated periodically to provide an objective measurement for performance assessment of the brand and its memory.

**Brand building over time**

The success of established famous brands, such as Coca-Cola, Michelin, Marlboro, BMW, Mercedes, and so on, have one common ingredient which has assisted their commercial success throughout the passage of time: consistency.

To be successful, a brand must maintain a perceived orientation, because continuity in this respect is essential to the brand’s longevity. The evolution of the brand must be measured with care, so the balance to be achieved is between continuity on the hard and evolution on the others and yet remain consistent in appeal.
This is the real challenge of long-term brand building. The management of long-term brand building therefore can be viewed at three levels, whereby the DNA or genetic code of the brand as manifested in its essence and core values are in fact the sources of future business and should not be tampered with, otherwise one is at risk of creating another brand.

However, the cosmetic signature of life brand which reflects its core identity may have to be modified to keep in pace with changes in design in the market place. (e.g. British Petroleum – BP). Of course there is an internal risk of rejection among a variety of stakeholder groups so such attempts have to be managed with care. Where changes can be made is with the communications theme and scheme, tone and manner for marketing campaigns, provided that the deep-seated core identity which is anchored in the brand essence is not at risk.

Communications adaptations can be allowed provided that these do not challenge the essence of the brand and the brand values. This will allow the brand to evolve without becoming fossilized.

Porsche, Chanel, and Estee Lauder have managed these well. This challenge is now faced by Gucci, Prada, and Botega Venetta: great brands seeking longevity.

Longer established brands seeking improvement need to undergo an ‘inner search’, to avoid classic errors which can be made in ‘re-configuring and updating the brand’.

The brand needs long term building, not ‘changing’! Therefore, the sensitivities discussed earlier are of paramount importance. Understanding these essentials is vital to avoid mistakes which might not be able to be changed. Reversing decisions after implementation can be expensive, time-consuming and may be very damaging to the brand.

*Brand extension to build the brand*
The execution decision may be made as a market entry strategy through product development, but by leveraging upon existing, established levels of brand equity. The rationale is reduced cost and reduced risk, but the extension must be logical for the existing brand and furthermore use existing brand values as a basis for the extension campaign.

Extension should exploit the existing brand capital e.g. Kodak cameras, Kodak film, Kodak processing booths.

A logical cohesive extension strategy would leverage the core values of the Kodak identity and brand essence, although this is not always the case, where the brand strategist may be too close to the enthusiasm of the product development/extension opportunity and loses sight of the ‘brand’ strategy.

To be successful any extension must be seen to be targeted at the customer; it should add to the existing brand equity and add life to the anchor brand, even open new distribution channels or expand the brand experience to new users. The warning bells, however, must be heard:

Ensure brand stretching does not dilute the existing established brand image (and equity).

Now that the essence of brand building for the marketing manager has been outlined, the reader will need to study this section carefully and then make connections to the case study or workplace so insights are obtained and learning is reinforced.

**Brand building for Al-ALM Bank**

The essentials of brand building have been detailed. The content now needs to be digested for contextual relevance, refined and then applied to the needs and tasks facing Al-ALM Bank. This next step will require the involvement of action learning project sponsors who may offer technical advice and guidance on application realities. This done, a moderated presentation will be made to the Talent Review Board for review, adoption and implementation.
The brand is the anchor for all corporate communications and therefore could become a reference point for all strategic decision making at top and middle management levels.

The brand should become part of the strategic rationale for business development decisions.

**CASE STUDY - ANDERSEN HOLDINGS PRIVATE HEALTHCARE**

**An analysis of competition and market opportunity screening**

Andersen, formed in 1990, is a public-listed holding company operating a series of businesses in the healthcare industry throughout Asia and Europe. It operates twenty-two hospitals with more than 4,000 beds as well as patient centres internationally.

Andersen has an extensive network of medical centres in addition to the private hospitals in Switzerland, Austria and Germany and the UK, as well as the United Arab Emirates. Andersen is well represented in Australia, China, India, Indonesia, Malaysia, Pakistan, the Philippines, Singapore, Sri Lanka, and recently in Russia and the Baltic countries. Andersen has a team of more than 2,000 specialists covering both medical and surgical specialities comprehensively.

Andersen is committed to global leadership in the provision of integrated healthcare services.

The markets served are international, with opportunities for patients to travel to countries where centres of medical excellence have been established. The extensive network of Medical Referral Centres enable this international business to thrive.

Clinical expertise in the fields of cardiology, neuroscience, oncology, transplant and cellular therapy, and paediatrics is well-known, as is primary care and the treatment of chronic illnesses. Specialities have been developed as well in the fields of diagnostic radiology, gastroenterology, genetic medicine, dermatology and
tropical disease treatments. In recent years, dentistry, and plastic and cosmetic surgery, have achieved international acclaim, as has renal care for the treatment of diabetes.

Andersen has grown to provide a total solution ranging from preventative healthcare to medical and surgical care together with post-operative rehabilitation. In other words, Andersen provides ‘end-to-end’ private healthcare solutions. Within the group, subsidiary companies provide imaging services, laboratory services and executive health screening. Recently new services for fertility have been added.

Andersen also works closely with pharmaceutical companies for clinical research and medical trials for drug innovations. In short, Andersen provides world-class healthcare for customers all over the world with the essence of all work embedded in a philosophy of healing and total patient care.

To ensure the quality of services to both in patients and outpatients, Andersen has its own colleges for training nurses and paramedical staff to ensure international standards are met. Doctors have extensive programmes for continuing professional development, again internationally. Close working relationships have been built with all major teaching hospitals throughout the world.

The marketing of Andersen medical services is both challenging and professional, with a wide range of ‘special packages’ available for core medical procedures and treatments which enable patients to travel to specific locations and centres. ‘Medical tourism’ is a way of life at Andersen; patient testimonials speak volumes for the quality of care and recovery.

Despite Andersen’s scale of operations and its business success, with annual turnover exceeding US$1 billion, competition from other private healthcare providers, as well as from the public sector, is ever present.

The main board of Andersen are all medically trained specialists; in fact they have moved into management from medicine. Medical schools do not provide management training and therefore the demands of managing
this type and scale of business is challenging, because all of the top management team are also medical and surgical practitioners.

It has been decided that the theme for the annual management conference to be held in Dubai should be competition and remaining relevant to stakeholders so that the brand equity of Andersen can continue to be built. In turn, it is believed that this will preserve shareholder value.

**Question**

As an independent adviser to the main board of Andersen, you are required to produce a paper for circulation to the top management team prior to the conference. The theme is ‘The Analysis of Competition from a Generic Perspective’. It is from this overview that Andersen management will be able to extract an agenda of items for review. It is essential therefore that the paper presented should not be related to the healthcare industry per se.
Specimen solution

The analysis of competition

The analysis of competition must begin by defining the industry domain and location, for example the healthcare services industry in Australia, or even within a defined territory, e.g. New South Wales or Queensland. This domain will reflect the current scope of business for your company and hence the definition of competition within your market domain.

Industries are often defined by products, e.g. car manufacturing, the aerospace industry, the catering services industry. This definition helps to answer the question ‘what business are you in’. Of course, from customer perspective the industry can also be defined by the need fulfilled, e.g. the retirement homes industry. For practical purposes, the industry definition will be served by market intelligence provided by the industry, for the industry. This helps to classify types of industries and their market sectors.

Industry KSFs

For an industry to remain viable and relevant to its customers, there are essential attributes required which are considered important by customers and channel partners. There are known as the Key Success Factors (KSFs) for the industry with which industry players should comply and deliver accordingly, albeit some better than others, hence the beginning of competitive differentiation which can be highlighted through an analysis of relative competitive strengths and weaknesses.

For example, in the UK domestic bicycle industry, the KSFs may be:

- Access to distribution networks
- Low manufacturing costs
- Quality of components
- Product design and performance
- Re-seller partnerships.
Even, with just five KSFs the existing market suppliers would, on an objective evaluation, have different scores. Therefore the starting point is to consider how the industry players independently perform in relation to industry KSFs, by defined market segment.

**Steeple analysis**

From the text, one can appreciate the value of this macro-environmental analysis, covering *social, technical, economic, political, legal, and ecological* analysis. This analysis can be conducted ‘per-industry’ to show the impact these factors have upon industry performance.

At micro-level a ‘cross-analysis’ can be undertaken to show how certain industry competitors are affected more than others, which in turn may influence their market positioning and competitive sustainability.

**SEE CHART (7)**

The body of the matrix, based upon a normal scanning system, could highlight significant areas of impact. The question to be answered therefore would be ‘What could the continuous impact of the PESTEL factors have upon the industry and selected players, both positive and negative?’

**Direct competition**

Within the industry as a whole and by meaningful market segment, who are your direct competitors, how many and what are their respective levels of industry market penetration, and for how long? Thereafter, from this discovery to determine basic market share data and assumptions, more detailed competitors profiles should be completed to include: product portfolio, market coverage, positioning by segment, market visibility, size of customer base, channels and channel relationships, marketing capability, selling ability and strategies, logistics operations, operations management, management capabilities, leadership styles and risk-taking, ownership profiles, financial strength and terms of trade, investment patterns and cost analysis, current capacity with
utilization, distribution strategies, marketing mix strategies and differentiation. The outcome of this extreme review should be a weighted relative competitive strength assessment.

**Indirect competition**

This should not be discounted as a powerful source of purchase avoidance and as such may hit industry sector growth because a substitute product or activity intervenes. For example, the H1N1 virus influenced theatre attendance in London and international air travel to holiday destinations. This is a form of short-term indirect competition. The global economic crisis has improved hotel room rates of countries which depend upon tourism revenues. These economic and other factors when combined can pose a significant threat to exposed industries.

The market for children’s board games has direct competition from other board games; however, the power of mindset competition from on-line games offers a substitute which in certain segments has reduced such seasonal sales volumes significantly.

The simple point to grasp is that competition may be both direct and indirect, is dynamic, and is difficult to anticipate.

**The supply chain**

Regardless of industry, the supply chain is the lifeline for the company, to ensure product flow through to end-use markets. A useful piece of competitor analysis is to research the strength, nature and level of the relationships between each industry player and their respective suppliers. This also may reveal common sources of supply. Furthermore, the determination of price advantages and price leadership between the competitors and the suppliers is essential as well as insightful information critical to the future determination of competitive strategy.

**Customer relationships**
As markets globally move towards commodity status, the only real point of differentiation for competitors in such industry circumstances is in their relationships with customers. The customer experience becomes the main source of competitive differentiation. As companies strive for customer centricity as a working culture, competition is even intensifying for the service deliverables. Hence, knowing how customers value their suppliers and the ability to track this customer value has become a critical component in establishing competitive positioning at the interface with customers. The relative relationships between key corporate competitors and their customers becomes an essential piece of analysis, supported with on-going market intelligence gathering. Customer satisfaction indexes for competitors opens a new horizon. Techniques such as Quality Function Deployment (QFD) can be used to good effect, whereby your company’s customers through research can also give scores on competitor deliverables as perceived in relation to your own company. The insight is that the customer selects the set of values which they view as essential for their repeat purchase loyalty. So in fact there are important techniques in use for tracking the actual or perceived relationships that key competitors have with their customers. The implications for customer service and customer experience management are far reaching.

**Competitive benchmarking**

The purpose in simple terms is to identifying the best practices valued by customers and suppliers and to compare the position of your company so that relative weaknesses can be identified as a basis for improvement. From a cynical viewpoint, this would mean that all companies would start to look the same!

The ability to benefit will depend upon the strategic position of the company: is it a leader, follower or challenger? Furthermore is the industry sector in growth, maturity or decline? At the end of the day, the purpose of benchmarking is to make improvements; learning from other industries may be a smart move toward companies within an industry imitating each other.

**Porter’s five forces**
One of the most useful frameworks for analyzing industry competition is that developed by Michael E. Porter. Porter suggests that competition in an industry is rooted in its underlying economic structure and even goes beyond the behaviour of current competitors. The state of competition depends upon five basic competitive forces. Together, these factors determine the ultimate profit potential in an industry where profit potential is measured in terms of long-run return on invested capital.

The goal of competitive strategy is to find a position in the industry where the company can best defend itself against these forces, or can influence them in its favour. Knowledge of these underlying pressures highlights the critical strengths and weaknesses of the company, shows the position in the industry, clarifies areas where strategy changes yield the greatest pay-off, and highlights areas where industry trends hold greatest significance as opportunities or threats.

**SEE CHART (8)**

1. **Industry competitors and rivalry determinants**

   *Who is competing?*
   - Number and history of competitors
   - Size
   - Market shares
   - How competitors deliver KSFs (this has been discussed earlier in this section).

   **Rivalry determinants**

   What are competitors fighting over? In other words, what is the basis of competition? for example,
   - Growth rates in the industry and profit to be derived
   - Brand loyalty, customer base and customer value
   - Brand switching and costs of customer defection
   - Product differentiation, quantity functionality, total solutions
• Investment requirements and the ability to get a return
• Capacity to meet changing market needs.

These factors will help to understand industry players, the number and structure of rival competitors. These findings are further pressured by threats from new entrants and substitutes. In addition, the bargaining strength and power of suppliers and buyers will add further pressure. These dynamics present a comprehensive review of how and which industry competitors are playing the game.

2. **Bargaining power of buyers**

Customers’ ‘buyer’ profiles are needed, together with a clear understanding of market segmentation, so you know who buys and how they buy in addition to understanding the decision making unit together with opinion leaders.

Then, there are two main sources of bargaining power which buyers may apply upon industry competitors:

• Bargaining leverage from buyer concentration, buyer volumes, switching costs and their ability to backward integrate.
• Price sensitivity in relation to total purchases, quality perception, brand identity and the incentives offered to confirm a purchase decision. The essence is to understand who holds the bargaining power and how. Thereafter, the realization of price sensitivity begins to dawn once the nature of bargaining power has been established.

3. **Bargaining power of suppliers**

Suppliers can also forward-integrate to take over the position of industry players. The bargaining power is also a function of the number of suppliers and supplier concentration. This must of course be balanced against the availability of substitutes. Essentially the bargaining power is embedded in the classical supply/demand curve.
The main concern is the extent to which suppliers can hold the wider industry to ransom by manipulating the level of supply to the industry. Thereby price can be inflated accordingly, leaving the industry exposed and of course leaving customers vulnerable to price hikes. Such market malfunctions can lead to a competitor price war, a reduction in profit margins and affecting the market drivers up. If the industry reality is that it is held to ransom by suppliers, then business strategy should be reviewed to include the suppliers in a form of partnership in business for longer term, ‘win-win’ outcomes.

Customers’ ‘buyer’ profiles are needed, together with a clear understanding of market segmentation, so you know who buys and how they buy in addition to understanding the decision making unit together with opinion leaders.

4. The threat of substitutes

Substitute products, may be present and furthermore may have been in existence for some considerable time. As an industry emerges, buyers may switch from substitutes to core products provided by the industry. In retail approved markets, traditional clothing and apparel provide a substitute to international designer brands, but as markets mature, buying behaviour in certain segments changes. In fact the substitute products may be in a discrete industry sector as well, for which other substitutes exist. As stated before, clear boundaries must be set around the defined industry so that direct and indirect competition can be defined. However, the existence of substitutes and the threat of these should be considered from the following perspectives.

5. The threat of new entrants

The threat of new players is related to the market entry costs and level of investment required to enter, penetrate and secure acknowledged market position. In turn, new entrants to an industry increase supply to the market. This may place pressure on price-based competition, if the product/service offered is directly comparable to the provision made by existing competitors.
Entry barriers such as brand identity, buyer switching costs, access to channels, real product differentiation and expected competitor retaliation make successful market entry more difficult, especially in established markets. The cost of market learning may be sustained for the new entrant. However, with globalization of markets, the impact of new entrants is substantial and indeed will influence competitive dynamics.

**Concluding the 5 forces analysis**

- Refer back to the rivalry determinants to reconfirm what the industry is really competing over.
- Modify the conclusions drawn by considering the impact of bargaining power and also of the threats upon the industry’s competitive rivalry. Review the industry KSFs in light of a clearer understanding of emerging threats of bargaining power.
- Now have a look at the broader environment influences, i.e. PEST/SLEPT/STEEPLE, and decide how these uncontrollable factors will impact upon industry performance and establish the need for change. Project how competitive conditions may emerge over time using scenario planning.
- Then consider the future competitive strategy for your organization in relation to differentiation, segmentation, market reach and the ability to gain cost and price adjustments.

**Competitive advantage and disadvantage**

The sources of competitive advantage, relative to the main industry competitors, need to be known and be reconfirmed by customers by segment so that the depth of competitive advantage can be understood.

A useful visual device to show this is the onion model, whereby the lines of competitive defence can be displayed visually. The centre of the onion is the last line of defence, as shown in the diagram below.

**SEE CHART (9)**
Competitors would perhaps find it easier to attach the onion from the ‘outside in’ as the outer ring represents the more exposed lines of competitive defence. Similarly an onion of competitive disadvantages could be drawn to show relative weaknesses and how these impact on the company’s operating performance.

**SEE CHART (10)**

An essential question arises: ‘What do we have to do really well to fail in this understanding?’ The answers when formulated, and then attended to, will address like sources of competitive disadvantage by ensuring that action is taken to remain vibrant and relevant and to deliver superior customer value.

**Competitive differentiation through the value chain**

Porter’s value chain concept allows us to see the organization through one model, by showing how margin is created through a set of primary activities and support deliverables. These activities as shown below are generic in nature and attributed to the classic work for which Porter is well known. The primary and support activities may be different, from company to company, and also between competitors in the same industry.

**SEE CHART (11)**

This value chain concept can be very useful to show where your company is well differentiated in relation to key competitors, as shown in the chart below.

**SEE CHART (12)**

These drivers have an important message, i.e. that the sources of competitive differentiation which in turn support and build brand equity are not only within the domain of the marketing department, but are in fact company-wide. This further strengthens the realization that marketing is a philosophy for business, not just
defined by and conceded in one functional department. Your business is kept in business owing to the level of total customer satisfaction delivered. This is an organization-wide commitment.

**Human capital development**
- Talent management programmes with action learning projects for internal management development
- Strategic human resource management in practice
- Commitment to organizational learning
- Superior compensation and benefits policies and practices
- Positive culture.

**Infrastructure**
- Totally integrated information system
- Multinational support systems.

**Resource development**
- Reputation for innovation and investment in R&D, delivering industry leadership.

**Production**
- Zero-defect practices. Quality of output is industry number 1.

**Warehousing and distribution**
- JIT systems, integrated supply chain management. Sets industry standard for turn-around time.

**Dealer support and customer service**
- A system of preferred partnership to bond with dealers with extended credit facilities
- Customer care tracking systems.
Sales and marketing

- Market leader, international brand, total solutions provider.

These points of differentiation need custodianship within the company to ensure that they are maintained.

Steps to be taken to establish a differentiated value chain

Step 1  Construct the value chain with actual primary activities and support activities for your company.

Step 2  Identify the drivers of uniqueness to show how and where your company is well differentiated from the competition. Ensure that these differentiations are supported by the company’s business strengths to support the need for sustainability.

Step 3  Ensure that the points of differentiation also create value for the customer.

Step 4  Complete value chains for key customer groups and determine the value-chain-based interdependence between the company and its customers.

Step 5  Establish these value bonds and use these as a platform for marketing and sales strategies to be included in the marketing plan of the enterprise because these interdependencies are the critical factors which support customer retention, as shown in the conceptual diagram below.

SEE CHART (13)

Competitive positioning

Competitive differentiation is at the heart of positioning. The sources of competitive positioning are in fact derived from perennial value in the mind of the market. Both tangible and intangible values together compromise a perception relative to the competition. It is through competitive positioning that the strategic intent of the enterprise will be achieved. Positioning is achieved through customer need fulfilment from the company’s capabilities relative to competitor offerings.
Customer acquisition and customer retention is achieved through the sustainability of your company’s competitive differentiation. If this is not upheld, the potential for lost business arises. This, in turn can erode established competitive positioning.

Summary

The classic work of Sun Tzu, *The Art of War*, states ‘Know the enemy and yourself and you will win 100 victories in 100 battles. Know yourself and not the enemy and you may win or lose a battle. Know not the enemy or yourself, and you will surely lose the battle.’

The message is clear: know your sources of sustainable competitive differentiation and always keep one eye on the competition.

**Learning points for Andersen Holdings’ top management team**

1. Has the industry definition been reviewed, is healthcare still relevant, and will it remain relevant for the future?
2. Have industry key success factors been defined, and how is Andersen positioned against the competition from public and private sector players in defined market locations?
3. Does the macro-environment pose a threat to competitive sustainability?
4. Do we have distinctive competitive strategies or are we really product centred?
5. Are our competitive value propositions sustainable? How do we know?
6. Can we learn anything from Porter’s classic Five Forces model?
7. What are our lines of competitive advantage and how are we disadvantaged?
8. How can an understanding of value chains help us to bond more closely with our suppliers and our customers?
9. How can all of this help to support the building of the Andersen brand globally?

**Question posed by the chairman of Andersen’s board**
‘We have grown substantially, and up until now have been successful but my concern in the quest for continued relevance is upon how to assess new market opportunities. Frankly there are more opportunities than time and human resources will allow us to adapt, but nevertheless I feel that we cannot continue based upon intuition and hope. I would like some ideas and this to be raised at the Dubai Meeting.’
Specimen Solution

Market opportunity screening

Marketing managers are faced with market opportunities as part of normal business; the real test is knowing how to respond and to have a planned response to unplanned opportunities as they arise. Such opportunities are externally inspired, others may be internally generated.

One important point of reference is to consider the company’s innovation strategy, the number of new products/services launched, in say, the past three years, the number still retained and their commercial success together with formal innovation plans. In this way, new opportunities can be framed with a strategy for innovation.

Key questions to be raised would be:

- What internal and external factors have contributed to the new product/service success or failure in the past three years?
- What have the competition achieved in this time?
- What strengths which have contributed to our success can be leveraged for new opportunities being reviewed?

Assuming that market opportunities do exist and need to be considered realistically, then there are critical issues to be reviewed, namely:

- How should the market for this opportunity be defined?
- Is there a gap in this market?
- Is there a market in this gap?
- What value added potential is there for the company and the customer?
- How can our core competencies be leveraged?
What is the market map which connects the customer to the company?

Thereafter careful analysis needs to be completed for access to channels to assess the route to the market, assuming that potential competitive positioning is sustainable and the market is viable in relation to demand. Consideration would be given to supply chain risk and reputational risk arising from the adoption of the opportunity. It would be important to be able to leverage any brand advantage which exists in the market sector or categories.

**Motive**

To make the business case for this opportunity, the marketer must be clear about the ‘drivers’ which have influenced the appearance of this opportunity, so that there is a clear rationale.

**Logic**

The business logic must be clarified in terms of strategic growth logic, portfolio implications, some credibility and the application of the experience curve effect so that the motive and the logic together can make a convincing case for the adoption of the selected opportunity.

**Segmentation**

Segmental analysis will be required to determine market focus and clarity so that the segment(s) selected and their buying behaviour within segments is viable, measurable and accessible. Remember the ‘seven O’s’ of the market place and research these carefully (i.e. who, what, why, where and when, and who is involved in the purchasing organization or decision-making unit). Whatever the basis for segmentation, clarity is of the utmost importance. In simple terms, it is essential to know:

- Who the customers will be
- Their location
- The motives to induce and sustain purchase.
Careful attention to segmentation will enable market targeting to be accomplished, and from these the positioning potential can be anticipated.

The alignment of purchase motive and market needs with the ‘appeal’ to the market is now an essential process for the marketer to plan and communicate in relation to existing competitive threats or retaliation. This has to be taken into account in a market feasibility study to determine the viability of the selected opportunity using a predetermined set of market feasibility criteria. To reduce the risk in the company adoption decision for the selected opportunity, concept testing is advised followed by positioning realities related to price, brand, quality and marketing mix sensitivities. The more obvious factors such as market size and volume/value relationships over projected timescales would be needed.

Accessibility to the market, time to market and speed of entry is also need to assess market advantage, albeit probably short-term, before competition and/or close substitutes catch up.

This opportunity needs to be explored in terms of longer-term business from cross-selling or up-selling within and between segments and market locations.

**Feasibility**

Following the work on market feasibility, there are two further feasibility studies that are essential:

- Financial feasibility
- Organizational feasibility.

The financial feasibility, normally completed by the accounts department, will be a fundamental request to screen the potential return on investment. The marketer should be generally literate in at least the following areas so that the financial arguments can be understood:
• Cost analysis
• Price analysis
• Break-even analysis
• Cost/volume profit analysis
• Cash flow
• Venture capital and working capital needs analysis
• Return on investment over time adjusted for currency dynamics/inflation
• Payback period
• Gross margin, profit before interest and tax, net profit projections
• Profit contribution calculations
• Financial value added.

There must be a financial case to be made which works within the policy guidelines laid down (if any), whereby new business opportunities must exceed the cost of capital involved. The question to be answered is

*Should we do this?*

Organisational feasibility will answer the question

*Can we do this?*

This must be based on fact, not just assumption. Therefore resourcing issues must be highlighted and be examined. A careful assessment of human capacity requirements, know-how and training is needed, together with knowing the management team sufficiently to make this new opportunity a success.
Information needs, business processes, competency and commitment all need to be carefully assessed. All top management level questions will be raised about the consistency of this opportunity with vision, mission, core values and existing culture. Furthermore, the impact upon future business development must be clarified in relation to the level of risk being taken.

Top management will need to be convinced that there is a ‘strategic fit’ between the ambitions as defined by the marketing department and the ability of the organization as a whole to make it all happen.

In order to make the proposal convincing, it is wise to make a list of the critical factors for success for the selected opportunity, and then assess the reality of these to highlight how well (or over time) the company is placed to make a success of this new initiative.

A final projection about the level of market take-up through more conceived goals and market forecasts should be presented, together with the anticipated level of corporate investment over time. A sound basis is then made upon which a go/no-go or deferment decision can be taken.
**CASE STUDY - UNIVERSAL CASE SCENARIO (1)**

The transition towards the adoption of marketing planning

Many organizations have developed from a product platform combined with sales orientation which has been successful until now. However, as markets globalize and competition intensifies, growth limitations are realized and the future requires a new strategy. The answer appears to be to become more marketing-oriented and therefore a marketing planning system is deemed appropriate in the plan for change. Needless to say, a marketing planning system on its own will not embed a marketing culture or the aligned need for customer centricity, but it could be considered as a first important step. The ambition for a marketing plan should not be confined to the requirement for a marketing budget. The plan is a set of clear statements of action to implement a marketing strategy within budgetary constraints. The marketing plan and the marketing budget are therefore complementary. The challenge faced organizationally is to recognize the need for a marketing plan which is much more than a plan for sales.

Often, there is no marketing structure in place, just a sales structure. The temptation is to change job titles, for example, the sales director or sales manager becomes the sales and marketing director or manager. Of course, this is a cosmetic change only and much more is required.

A further question to be considered is where to place ‘Marketing’ in the organization. Does it become a service function to support Sales where it does not have line authority or empowerment, or will Marketing lead the direction for Sales?

Initially the risk of organizational turbulence may favour the former over the latter. Usually such decisions must be made at board level. Thereafter the challenge is to find the human talent to head this new function. In itself, this process of recruitment and selection to find the right candidate is an ongoing issue faced by all organizations facing such transition.
Some companies may prefer to ‘grow their own crops’ through internal training and development: others may decide to source their marketing talent externally or even outsource this function.

Whichever option is decided on, it is a strategic move which needs to be thought through clearly. It is not a hasty decision. A clear understanding of the value added to the business or institution must be assessed before the decision is taken, so that marketing is seen as an investment for the company and not an incremental cost.

The essence of this transition is to acknowledge the need for culture change and mindset change as well as the need for change to structure and processes which needs to be introduced at board level with the ‘buy-in’ from all concerned, knowing that it may take probably three full business cycles of one year to achieve organizational integration.

**Question**

*What are the managerial pathways for introducing strategic marketing planning?*

**Specimen solution: The managerial pathways for introducing strategic marketing planning**

**Getting started**

Fundamental questions need to be answered as a platform from which the plan can be developed:

1. Where are we now and where have we come from?
2. What is our business, our market domain, our customer base?
3. What should our business be and by when?
4. What are our corporate and market capabilities, acknowledged ‘leverageable’ strengths and constraints?
5. What are our acknowledged core competencies as a business, that are the anchor for our brand?
6. What is our historical financial position to date, what are our future projections and targets?
7. What is our current marketing resource and adequacy, and are our current marketing strategies, if any, working well?
The areas will help to align the managerial mindset to the task ahead and begin to answer the question in the contextual relevance of ‘Where are we now?’

**The interface with corporate strategic intent**

The statements of strategic intent should act as drivers for the marketing plan:

*The vision statement* to provide aspiration and inspiration

*The mission statement* to provide the purpose to be achieved.

Do these statements exist? – are they actionable or merely cosmetic corporate public relations statements? Such statements provide a bedrock for the company’s strategy and if in existence may need to be reviewed for current relevance. (This may be beyond the domain of the marketing function.)

*The core values* which influence employee behaviour and represent a belief system for staff and provide a basis for customer affinity with our business.

Such core values lead to meaningful value propositions for both employees and customers which in turn build relationships, bonds, loyalty and customer retention.

**Corporate level ambition**

There is a need for absolute clarity of corporate financial and non-financial objectives, dedicated to distinct time scales. The time planning horizons will provide a basis for the strategic timelines for the marketing plan.

Normally there would be a one-year operating plan, supplemented with rolling plans over 3–5 years, depending upon industry, economic and market behaviour.
All companies will have corporate financial objectives, derived from the budgetary control system of the enterprise. The marketing plan will be expected to contribute to the corporate financial objectives. Where the marketing plan and sales plan are integrated, then one critical key financial performance indicator will be sales revenue targets and stretched sales targets. Qualitative and corporate objectives are often not so clearly stated. However, the marketing interface is critical because this will affect positioning and branding strategies and the associated elements of corporate identity and reputation. The working relationship internally with top management is critical to ensure that the marketing department makes a meaningful, known and valued contribution to the corporate plan.

**Environmental review**

It is customary to complete an internal and external audit of the micro and macro environments within which the marketing plan is determined and future strategies crafted. The purpose is to determine *statements of fact* about the operating environments and thereby reduce the need for assumption setting. Plans are better grounded on solid facts, because too many assumptions being made may trigger the need for contingency action. The value of a periodic marketing audit as part of the marketing planning system is critical. Where segmentation strategy is meaningful, then the audit should be conducted by segment.

The marketing manager must be fully aware of the company’s position within the industry and by segment as appropriate, and then review this by future market attractiveness in relation to the current and future value propositions the company has for each market domain. Part of this review is the need to assess competition, their competitive strategies in relation to ours and thereby to determine a current assessment as a basis for determining future sustainable competitive differentiation, competitive advantage and competitive positioning.

**The output from the environmental review**

The output must be actionable. Therefore the findings of the environmental review must be interpreted into an ‘actionable SWOT analysis’ for each meaningful market segment. This comprises an external review of
actionable current and future opportunities and threats in relation to an internal review of actionable strengths and weaknesses.

This SWOT analysis then needs to be rationalized, by screening the opportunities and threats by the strengths and weaknesses to obtain a clear focus for business development and growth. The output of the environmental review, through SWOT analysis, is thus the strategic thrust of the marketing planning and control system of the enterprise, so that finance and marketing departments work together (this is often a real challenge arising from mindset differences, responsibilities and scope of work).

**So what is to be done?**

New assumptions will be based on which plan for the future is chosen. These relate to the ‘conditions’ that will be expected to prevail over the life of the plan. Normally these will be internal and external assumptions, as well as qualitative and quantitative. This could be confirmed as a 2-by-2 matrix, where key assumptions are highlighted.

Some practitioners find assumption-setting either difficult or platitudinal. If this is the case, ask a simple question – ‘What are the critical factors for success of this plan for which we do not have established facts, which are uncontrollable variables in the company’s internal and market environments upon which we depend?’

This then provides a realistic platform for the plan, which in turn encourages contingency thinking in the event that the assumptions are not upheld.

There is another critical question which arises: ‘What is not known but needed?’ In other words, we should know what we don’t know!
In turn this may provide new inputs for the marketing information system as part of an on-going fact finding mission which in turn will help to improve the quality of confidence in the marketing plan and the planning processes.

Marketing Information Systems (MkIS) provide the underpinning for the marketing plan through the accurate and timely retrieval, storage and reporting of marketing data, intelligence and information relevant to the direction, monitoring and assessment of the plan and its delivered strategies. The MkIS is the control backbone of the marketing plan. Various levels of sophistication exist, but often there is a lag between MkIS system deliverables and requirements to support the market planning and review processes owing to IT operating constraints.

**Future marketing**

*Smart objectives*

Until now, much time has been devoted to analysis and fact-finding to really know the answer to the question ‘Where are we now?’

The next question to answer is *Where must we be and by when?* Therefore strategic marketing objectives must be set. These objectives must be ‘SMART’:

- **Specific** i.e. action-based
- **Measurable** for monitoring, review and accountability
- **Attainable** Within reach, doable
- **Realistic** Within time and resource, market constraints
- **Time-bounded** Achievable to time.

These objective are then statements of what the plan is really designed to achieve; they must be clear, concise and be easily communicated and capable of being actioned.
Strategic marketing objectives

One simple classification is quantitative and qualitative, or internal and external, or a combination; there is no hard and fast ruling. The focus must be upon the tasks to be achieved and the outcomes to be derived.

Qualitative objectives

These could relate to, for example,

- CRM
- Positioning
- Brand building
- Marketing communications
- Channel relationships
- Product development
- Structure and competency development
- Infrastructure
- Project management implementation for new initiatives.

Quantitative objectives

These could relate to:-

- Market share
- Sales volume
- Sales value
- Gross margin
- Segment performance
- Marketing cost control
- Elements related to the marketing budget.
Objectives for products and markets

To ensure that the list of objectives doesn’t become too long and even meaningless, a simple classification for marketing objectives could use the classified Ansoff’s Matrix and keep the objectives set at a strategic level.

Within the ‘boxes’, qualitative objectives could report the emphasis of the plan, e.g. for the next operating year 80 per cent of business will be derived from market penetration, 15 per cent from market development and 5 per cent from product development.

In this way the ‘strategic high ground’ is considered as a basis for future marketing strategy.

The linkage between what and how – from objectives to strategy

Strategy is simply the route to be taken to achieve predetermined objectives; it is the answer to how to achieve what.

In marketing usually it is a competitive strategy that is to be decided, i.e. how to beat the competition.

The Competitive structure to be chosen could, for example, be aggressive, where the company leverages on strengths to pursue opportunities through price-led market penetration.

Or a more conservative approach could be taken, with segment focus, niche market penetration to consolidate business strengths into a superior market position. Alternatively a more direct competitive strategy could be pursued, focused upon a more value-based set of product/service differentiations, with the emphasis upon a customer relationship approach.
Ultimately the ambition is to win the hearts and minds of customers and to keep them loyal. Therefore before thought is given to the details of marketing and marketing mix strategies, the first priority is the ‘competitive strategy’.

**Marketing strategy options**

It is appropriate to revisit the Ansoff Matrix to now show the linkages between Objectives and Strategies.

- **Market penetration objectives need market penetration strategies**
- **Market development objectives need market development strategies**
- **Product development objectives need product development strategies**
- **Diversification objectives need diversification strategies (if appropriate).**

In this way the Ansoff Matrix provides a meaningful basis for integration.

From these marketing strategy options, combined strategies could be crafted into a hybrid strategy, for example a combined market penetration and market development strategy. It may also be appropriate to determine such broad marketing strategies by segment.

These brand marketing strategies will now need to be achieved through action plans for the key elements of the marketing mix, supported by internal marketing.
**Internal marketing**

The primary function of internal marketing is to enhance and sustain the ability for organizational-owned marketing strategies to deliver planned outcomes in the market place.

This means the management of relationships within and across decisions to achieve effective functional relationships.

Management skills, commitment, energy and communications internally are essential to coordinate essential activities and processes upon which executed marketing strategies depend.

It is the behaviour of employees, the working culture of the organization, and a recognition that the customer comes first which delivers successful marketing strategies.

To achieve this imperative, staff training, internal communication, processes and information flows must be planned and implemented.

It is also important to realize that in many organizations, there is an ‘internal market’ with internal customers, whereby products and services are supplied inside the organization.

Bringing this together is the recognition for total customer centricity which is a culture and set of working practices which need organization wide recognition, support and practice.

**The marketing mix for interactive marketing: people, process, partnership, physical evidence, pace**

As marketing planning has evolved, the traditional ‘4 Ps’ of marketing have been supplemented to cover the ‘service elements’ of marketing deliverables.
Collectively these can be referred to as the interactive elements of the marketing mix operating between the company employees and customers.

The respective importance of these elements will vary from company to company. Also the level of interactivity with customers will be a function of customer behaviour and their respective needs. The basis of the ‘relationship’ with customers should be determined by customers themselves within defined market segments. Customer relationships cannot be imposed, they need to be built.

The marketing strategist now must make provisions for

**People**

This includes customer care strategy, service delivery, service quality and skills, as well as the reinforcement of brand-based mindsets, attitudes and behaviour. These ‘soft’ areas of the marketing mix in many companies represent the source of competitive differentiation which in turn should deliver a winning performance culture. These ‘people’ are the basis of success; selection of the right people together with their systematic training and development into a ‘marketing force’ is critical to the success of the planned broad marketing strategies.

A well-conceived marketing plan will attend to the ‘people agenda’ so that the timeless expression ‘happy employees = happy customers’ is not overlooked.

**Process**

Customer-focused processes for relevant, timely and convenient customer service must be planned for. Periodic reviews and upgrading will be ongoing to ensure that customer processes are optimized; this is essential for customer management and central to the total customer experience.

The planning for and management of these processes ‘end-to-end’ is vital to ensure that the promises made in the market, both actual and implied, are delivered by the company to meet customer expectations.
Customer tracking, order processing, account handling, payment systems should all be attended to as part of the customer relationship process.

**Partnership**

Alliances with channel members as intermediaries is one form of partnership; supplier relations through supply chain management, trade agreements with re-sellers, for example – all form part of a value network of interdependency and interactively which collectively should create win-win preferred relationships.

With end-use customers, ‘the partnership’ must prevail between the channel intermediary and the customer (even with the customers’ customer). Equally the relationship between the company itself and the final end-user may also make up an explicit or implied partnership.

In industrial markets and professional services markets this may be more apparent than with fast-moving consumer goods. However, the theme, notions and understanding of partnership could then be planning, for it is a sound basis for building sustainable relationships with customers to achieve customer loyalty.

**Physical evidence**

The ambience, atmosphere and operating climate within which business is transacted cannot be overlooked. The physical evidence ‘sets the scene’ for business and in fact is part of the ‘identity’ upon which business is secured and sustained. Once again, checking the ‘relevance’ of this for the respective target markets is not only worthwhile but essential.

The following template may be helpful to outline the interactive marketing mix plan:

SEE CHART (2)
From experience, especially with multinational organizations, these elements of interactivity will have to be applied in different market locations and prevailing national and scouting sub-group cultures.

‘One size may not fit all’ – especially in relation to market timing and time taken to trade. This can only happen if careful attention is given to ‘pace’ so that the speed of business transactions reflects cultural values and is effectively managed cross-culturally.

This element is often overlooked, with far-reaching business relationship consequences.

**The marketing mix for the conventional 4 Ps for external marketing**

*Price, product/service, promotion, place*

The 4 Ps are not independent, but interdependent variables which, together with the elements of the interactive marketing mix, supported by the internal marketing of the enterprise, collectively deliver value propositions to customers.

Therefore, for all these elements policy guidelines are needed to ensure consistency and quality relevant to market demand.

The details of the classic 4 Ps can be found in most marketing texts. The essentials of the 4 Ps, for which objectives, strategies and actions are required, in accordance with the earlier template, are as follows:

*Price*

The essence of the pricing plan is to identify segments within existing policy guidelines for:

- Setting the price
- Charging the price
- Getting the price paid
- Operating margins projected
- Commissions and discounts
- Terms of trade
- Profit volumes aligned to sales forecasts.

**Product/service**

The essence of the product plan is to show the following essentials:

SEE CHART (3)

This shows the *product portfolio* in relation to markets served. Historical trends can be shown and also future projections can be forecasted.

This fundamental matrix is invariable – it can show in each box revenue and profit contribution and thereby provide the basis for growth to meet the needs of the broader marketing strategies stated earlier in the plan. This matrix can then become the master matrix for both product category management and market management.

**New product/service developments**

The product/market matrix provides a clear basis for asking the questions:

- Which segments are not served and why?
- What new products do we now need to service our market segments?
- What cross-selling/up-selling opportunities exist that we are not exploring?

The answers give the case for new product and new market development, as well as the potential for deeper market penetration. This all reverts to the Ansoff Matrix upon which our strategic marketing objectives have been set.
Decisions must be made on adding and dropping product lines/ranges in accordance with portfolio decisions to be taken in relation to cash generation and investment across the product portfolio.

(A number of product models, such as the Product Life Cycle, the Innovation Diffusion Curve and the BCG Product Portfolio Matrix, may be applied as a rationale for the plan. However, please realize that this is a marketing plan for top management to sign off; the more academic tools may have to remain as your secret weapon, depending upon the sophistication of the management team.)

**Place**

Place refers to ‘the route to the market’ known as the marketing channel. The plan therefore must attend to the following essentials:

- Channel selection (if appropriate)
- Channel management and channel partnerships
- Terms of trade
- Logistics, inventory and facilities management
- Customer service levels and related processes
- Productivity and cost management
- Technology interfaces and management of these
- Critical success factors.

The format for the plan can follow the template provided earlier.

**Promotion**

Promotion, now often referred to as ‘integrated marketing communications’ is the means by which meaningful messages are formed and transmitted to defined groups known as target audiences, who we hope have received
the messages, understood them and taken action to purchase. If only life were that simple – so much of the money spent on promotion is wasted, the problem being that we don’t really know what works well until it is implemented. Moreover, what works well once may not work again as well or at all. Therefore, marketing communications continues in perpetuity.

The essentials of the promotional plan are really quite conventional. Once again the template supplied will suffice.

The conventions are:

OFFLINE
Above the line (Mass-) media-based, advertisers, press, radio, TV, circulars, posters – all for awareness building
Below the line Sales promotions, trade promotions, sales force promotions – all for sales generation
Direct marketing Direct response advertising
Public relations Corporate communications
Packaging/merchandising - At the point of sale.

ONLINE
Web based Internet-based marketing communications and e-communications.

TECHNOLOGY-BASED COMMUNICATIONS
Technology-based points of contact, contact for information, pre-sales, sales and post-sales.

PERSONAL COMMUNICATIONS
For the customer service interface to reinforce brand-based customer/company culture.
Policies will need to be reaffirmed on how much work is completed internally, together with the use of external third-party collaborations through agencies, creative designers, and so on.

The perennial area of difficulty is with monitoring and control, and to know that ‘the message’ is working, the market knows and is/is not responding in line with projections, and that the medium/media chosen is/are working.

Customers in some segments may be fickle; the motives which induced and sustained purchase may be different from those stated in market research surveys.

**Feasibility of marketing mix proposals**

The plans and strategies for each element of the marketing mix need to be presented as an integrated proposal to show how marketing mix synergy can be achieved.

A simple matrix showing the interdependencies adds conviction to the plan, for example:

**SEE CHART (4)**

This matrix can be repeated/be reconfigured to show the critical interdependencies because these will become the future critical success factors for the marketing plan.

The perspective of top management will be different, their mindset and board level may be:

- How will the results of this set of marketing proposals really contribute to the financial health of our business?
- Will these proposals influence shareholder value?
- Is this all justified?
Feasibility and desirability for the proposed marketing mix strategies

Ensure that the marketing mix proposals are not left ‘open-ended’.

State clearly the criteria by which these creative marketing mix strategies can be justified, for example:

- Outcomes and benefits
- Beating the competition
- Staging gaps to be filled
- The financial gains
- Risk exposure
- Gains in customer value
- Internal process improvements
- Innovation and leveraging
- Brand positioning and brand values
- Consistency with company strategic intent
- Pragmatism
- Resource implications.

This will help to make a strong case for the adoption of the plan. Furthermore, it shows that your thinking is strategic and not just departmentally focused.

The brand as the anchor

The strategic marketing plan and the marketing mix plans must be anchored. This anchor must be the brand or the assembly of brands by which the company is attached to the market.
The plans for brand(s) development can be treated as an independent document for brand custodianship and implementation. However, to show the real connections between this plan and the need for ongoing brand building is an essential and powerful marketing management argument.

Therefore to add depth and quality to the marketing plan, try to show meaningful connections between this plan as proposed and the contribution it will make collectively to brand equity through customer top-of-mind awareness.

Customer acquisition, customer retention and the brand premium can be communicated through secured brand positioning and brand propositioning.

The plan will help to show how the brand(s) is differentiated, what the brand really has to offer, the brand’s reason for being and ultimately the brand relevance for the market which leaves a brand footprint in the mind of the actual and potential customers.

**The sales plan**

In marketing-oriented organizations, the marketing plan and sales plan should be combined into one plan showing clearly that marketing drives sales. However, in many companies, this is not the case: there may be a sales plan, but no marketing plan or even two separate plans produced by independent departments. This position is mainly due to historical reasons, often when sales and production orientation still prevails.

Our approach is to show how sales and marketing are integrated.

The essentials of the sales plan as a component of the marketing plan is to show in simple terms:

- How much revenue will be generated?
- How soon will this be accomplished?
• And how certain are we that these figures will be attained?

The expectation of this plan is to set sales quotas, targets and even stretched targets to be achieved from the designated sales turnovers under a system of sales management.

The overall figures for achievement will be derived from the conservative strategic marketing objectives started earlier in the plan.

To show how the sales and marketing plan are integrated and embedded in the broad strategic marketing objectives, the following matrix is useful:

SEE CHART (5)

In the main body of the matrix, sales forecasts can be determined and then percentages can be applied to see where sales are to be achieved and from which product portfolio. This matrix can be applied by sales territory or by market segment at operational level as appropriate.

This plan should also contain the essential conditions required for achieving the contents and outputs from the matrix.

**Structural and organizational development**

Human capital needs in terms of resources will need to be appraised and assessed for competency relevance to achieve the targets produced.

The needs for training and development of staff and key talent will be required and where appropriate reviews to structures, staffing, recognition and reward. The HR element of the plan needs ownership for action. This would normally reside within the Marketing and Sales departments and be facilitated by the HR Department.
The essential question to be answered is ‘Are we equipped to implement this plan to achieve our strategic marketing and sales objectives?’

It is to be remembered that:

- Strategy determination should be founded upon actionable strengths.
- Strategy implementation should then be founded upon a relevant structure for operational process to function smoothly.

**Plan monitoring and review**

For the plan to be operational there must be inbuilt feedback systems which perform the function of managerial control. The question to be answered is ‘What is to be controlled, how frequently and why?’

Care must be taken. Often the manner in which control is imposed produces unintended consequences. Absolute standards may be expected but may be difficult to impose, hence the need for experienced management.

Nevertheless periodic, concrete feedback is necessary in addition to the system controls such as the MKIs, the budgetary control system and the planning system itself.

For practical purposes, the cycle of control may be a useful model for monitoring and review as shown:

**SEE CHART (6)**

The essential management question is what to measure and how. In simple terms, what are the metrics and how should we measure them? The challenge is to not become too obsessed by the number of metrics being used because this kills inspirational management and the creativity upon which marketing often depends.
The practical solution is:

1. Decide the key result areas of the marketing and sales plan (i.e. the KRAs).
2. Ensure these are allocated to areas of responsibility and to people responsible for the management of this designated domain.
3. Decide the performance criteria with each KRA; these become the KPIs for achievement and upon which performance will be assessed and reward (if any) be recognized.
4. Keep the system simple.

KPIs are part of managerial life today. In this way top management will expect a return on their marketing investment, there is no escape. Determine the marketing KPIs for the plan, reassure that these may be qualitative, quantitative and cross-functional. Also you may need to set primary and secondary KPIs to help guide the marketing team towards optimal output.

The review periods for the marketing plan would normally be monthly and quarterly. It is wise to adopt a rolling basis for planning reviews so that the current learning is transferred to future planning and direction as a continuous process.

**The marketing plan budget**

The marketing plan budget integrates all parts of the marketing plan. It is usually an income and expenditure budget for the annual period of the operating plan. It harmonises with the financial planning and control cycles of the organization and feeds directly into the master profit and loss account of the enterprise.

The determination of the budget will follow the existing budgetary protocols for the company in terms of timing and control for submission, verification and approval.
The marketing and sales budget will be based upon a series of basic assumptions derived from the plan. In the first year of the marketing plan, the budget will be formulated on a zero-base budget formula, whereby all costs and income projections will have to be scrutinized and justified before being signed off. Thereafter the budget is more likely to be incremental, whereby a percentage adjustment is made to both income and expenditure.

It may follow that in the first year the plan drives the budget, but thereafter it is common that the incrementally adjusted budget will drive the plan. The company’s budget manual will contain all the procedures that are associated with the determination and review of the budget, as with all operating budgets.

The budget will contain sales review projections and the sources of this revenue in aggregated format together with a set of expenditure budgets for all marketing and sales activity costs, together with cost estimates for marketing/sales infrastructure and staffing. It should show a financial contribution figure, being the difference between income and expenditure which should be substantiated for the enterprise.

The budget, once signed, becomes the basis for management of the marketing and sales functions for the operating period normally one year.

The above review of the pathways through the marketing plan, should serve as a guide for the marketing manager about to embark upon a more sophisticated approach to the management of the marketing function.

SEE CHART 14 (Marketing Mix) and 15 (SMP diagram)

CASE STUDY (6) - UNIVERSAL CASE SCENARIO (2)

Pillars to support marketing strategy enablement

From the Universal Case Scenario (1) it can be seen how to achieve the process of marketing planning within an organization which hitherto has not embraced marketing as a working business philosophy, but has remained sales-oriented until the present time.
Strategic marketing planning in simple terms is a step-by-step approach to design and implement a series of integrated strategies which align products and services to customer needs, wants, values and expectations. Collectively this could be referred to as a series of broad marketing strategies crafted to achieve a superior and sustainable competitive position. However, such strategies cannot work in isolation, they have to be enabled, something that is critical and yet often overlooked in the marketing literature.

Marketing strategy is in fact a company-wide commitment, each and every department and individual has a part to play.

It is through marketing strategy that customer value is built and in turn shareholder value enhanced.

We need, as organizations with customers and other stakeholder groups to realize that the critical factor for success is organizational enablement in action.

This cannot be treated as ‘assumption’; it must be known and acted upon from a management perspective. Such a realization places the onus on the marketing manager to negotiate effective arrangements through internal managerial relationships.

If these are not effective, the marketing plan will not be successful, objectives will not be optimized and outcomes will be diminished.

The question therefore to be addressed is:

*What pillars are needed to support marketing strategy enablement?*

**Specimen solution: Pillars to support marketing strategy enablement**
Marketing strategy can be defined as the creative route to the achievement of broad strategic marketing objectives. It is creative in that it is often created for the life of the marketing plan and may not be repeated simply because its impact will have diminishing returns. The classical work of Ansoff has prescribed that marketing strategy in terms of market penetration, market development, product development and diversification or a combination of such into a marketing strategy ‘hybrid’. Our purpose in this case is not to create such marketing strategies or even marketing mix strategies, but to look into the organizational pillars which enable marketing strategy. In this sense, a unique approach is taken to explore the essential conditions for marketing strategy to be designed, implement and reviewed.

These pillars can be considered from the following perspectives:

- Organizational competencies and development
- Information capital
- Human capital development
- Internal process
- Customers, partners, alliances – relationship management
- Relevant customer value propositions
- Brand equity custodianship
- Productivity
- Sales growth and financial planning gaps.

**Organizational competences and development**

Managerial leadership for marketing is essential, especially as much of the commitment needed to achieve the planned marketing strategy is cross-functional. The functional structure of marketing will have a direct influence upon how effective the marketing function will be. If marketing has line responsibilities for sales, then marketing can ‘drive’ marketing strategy. If marketing is a staff function supporting sales, then more challenges will arise to get the ‘buy in’ needed for marketing strategies.
Both the strategic and operational planning for marketing will need to be in place, with policies and processes appropriately aligned.

**Alignment**

To determine marketing strategy will need to be aligned to the vision, mission and objectives of the company (this should have been assured in the marketing planning process). With this alignment the KPIs (Key Performance Indicators) should also be set up to ensure the productivity of the plan both within the marketing department and between other business functions to ensure the ‘end-to-end’ commitment to secure and implement the marketing strategy effectively.

**Teamwork**

An environment of respected people attached to key result areas of the marketing strategy is of paramount importance so that key individuals and teams are able to manage and take action. Organizational readiness for effective team-working to achieve strategy implementation is a critical requirement. The operating culture within the marketing department and also between departments is also critical to ensure that marketing strategy is actioned in accordance with plans laid down. A winning performance culture is needed that is sincerely customer-oriented. Appropriate ‘ownership’ for planned marketing strategy must be ‘felt’ and internalized at team and individual levels. In this way, the capability and capacity of the organization can be assured. Getting the organization ‘right’ cannot be over-valued as a vital pillar required to enable marketing strategy; moreover it may not be ‘right’ for long!

**Information capital**

The marketing information system is the technology backbone for the marketing plan and is essential for supporting and monitoring marketing strategy. Strategic information should be captured on a periodic basis as part of the system for monitoring and control of the marketing plan.
The monitoring of strategy implementation and performance is also an essential ingredient of information capital.

The company’s IT system and the systems integration requirements cannot be taken for granted. It is through this enablement that marketing strategy can be tracked. In turn, this allows the process of periodic gap analysis to be undertaken to allow the process of management review to assess the need for strategy adjustments to achieve planned objectives and targets.

**Human capital development**

Organizational development through the development of human capital will be an ongoing process to ensure that organizational competencies are aligned to marketing strategy implementation needs. Competency assessments, training needs analysis, training structures and the calendar’s curriculum, performance management, all have a part to play to enable strategy achievement. The needs of the market place and the changing environmental landscape, together with the intensity of competition, all require organizational resilience and well-trained staff as a prerequisite for success. The human capital development plan for marketing staff therefore is an essential pillar for marketing strategy enablement.

**Internal processes**

It is acknowledged that strategy depends upon structure and the leveraging of competitive strategies; this is no different for marketing strategy. Furthermore the implementation of strategy requires processes for enablement and implementation.

Such processes are essential and often do not appear in marketing plans and planning conventions. It is for this reason that we cannot overlook such processes and the need for them to achieve successful strategy implementation.
A periodic review of processes is achieved to reconfirm end-to-end efficiency between the back-end and the the company and the demands of the market place.

Examples of marketing strategy processes would be:

- **Sales management processes**
  - Sales administration
  - Order processing
  - Price negotiations
  - Payment systems
  - Sales results monitoring with sales and financial KPIs

- **Product management processes**
- **Product innovation management processes**
- **Customer management processes**
  - CRM systems
  - Customer database management
  - Tracking systems
  - Customer experience management process

- **Regulatory and structural processes**
  - Compliance
  - Employment
  - Health and safety

- **Channel management processes**
  - Terms of trade
  - Conditions
  - Partnering.
These are just typical examples. The purpose of internal processes is to drive value creation for the enterprise, therefore the periodic, systematic checking of such processes is essential.

A key question to be answered would be:

*What are the essential processes that are needed to connect the company to the customer to ensure that marketing objectives and strategy deliverables are achieved?*

**Customers, partners, alliances and value propositions**

Marketing strategy is enabled through customers as beneficiaries in the exchange process and partners, as alliances jointly collaborate in achieving win-win business outcomes.

To ensure that marketing strategy is appropriately evaluated, then the value propositions that are built into the marketing strategy need to be reconciled as being contextually relevant. Therefore mindset alignment between the company, the customer and other channel members is critical for marketing strategy to be effective; it has to be valued, and to be valued it must be relevant.

Strategy based upon assumption, therefore, is at risk of not being appropriate relationship management, whereby the bond between customer and company formed for win-win outcomes has to be of the highest priority.

**Brand equity custodianship**

The brand is the anchor upon which all marketing strategy is attached. Therefore marketing strategy can only be successful if the essence of the brand is not compromised and the brand values are reinforced.

Therefore brand management, the management of brand equity and the preservation of brand image are fundamental marketing strategy enablers.
Other sections in this content have detailed references to the ‘brand’; it is appropriate to note that strategy development and enablement must be achieved through the identity of the brand.

**Productivity**

Internally, capacity management projections are required to ensure that the company will be able to cope with the potential upturn in business arising from the modified strategy.

Right pricing and cost leadership with suppliers must also be ambitious. Productivity measurements (KPIs) should be in place to ensure that the marketing strategy can be delivered without weakening customer service levels.

**Sales growth and financial planning gaps**

Clearly the ambition of most marketing strategies is for growth in sales through customer acquisition, customer retention and associated levels of brand loyalty. The ‘sales response’ to marketing strategy of course is the necessary confirmation that the strategy is working.

The sales team, its effectiveness and efficiencies, are essential enablers when appropriately guided through the sales management processes. Collectively, this will achieve the sales targets which have been determined to meet the financial planning gap for sales revenue gains and profitability.

Two interesting key questions to be raised are:

*Does the financial planning gap drive marketing strategy?*

*How should marketing strategy be enabled to achieve success?*